



20  
20

PRECIOUS WOODS Annual Report 2020

# Annual Report



PRECIOUS WOODS

◀ **Cover:**

Image from the forests of Gabon

**Back:**

Reference object, Cladding made of Cedrinho

**Precious Woods 2020 – Operational progress**

**Increase in sales to**

**46.2**

EUR million

**EBITDA margin**

**12.5 %**

The terms FSC® and Forest Stewardship Council® used in this annual report are registered trademarks of Forest Stewardship Council, A.C. (FSC® C004141)

The term PEFC™ used in this annual report is registered trademark of Programme for the Endorsement of Forest Certification Schemes (PEFC™ 15-31-0090)

**Precious Woods** is one of the world’s larger companies active in the sustainable management and use of tropical forests. The images in this Annual Report provide insight into Precious Woods’ manifold activities, emphasizing the company’s principle of creating triple added value: environmental, social and economic.



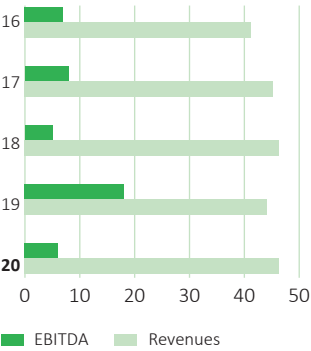
# Key figures and information for investors

5-year summary of key financial data (in thousand EUR)

	2016	2017	2018	2019	2020
<b>Revenues</b>	<b>41 319</b>	<b>44 997</b>	<b>46 349</b>	<b>44 380</b>	<b>46 186</b>
Depreciation, amortization and impairments	5 277	4 681	3 416	4 494	3 882
Depreciation and amortisation	5 356	4 699	3 435	2 239	3 922
Impairments	-79	-18	-19	635	-40
<b>EBITDA</b>	<b>6 889</b>	<b>8 210</b>	<b>5 111</b>	<b>18 450</b>	<b>5 769</b>
in % of revenues	16.7%	18.2%	11.0%	41.6%	12.5%
EBIT	1 612	3 529	1 695	13 956	1 887
in % of revenues	3.9%	7.8%	3.7%	31.4%	4.1%
<b>Net result</b>	<b>-2 752</b>	<b>1 643</b>	<b>-1 717</b>	<b>7 973</b>	<b>-2 181</b>
in % of revenues	-6.7%	3.7%	-3.7%	18.0%	-4.7%
Balance sheet total	69 288	71 405	73 435	131 076	109 443
<b>Shareholders' equity</b>	<b>19 440</b>	<b>20 095</b>	<b>11 614</b>	<b>55 104</b>	<b>39 309</b>
in % of the balance sheet total	28.1%	28.1%	15.8%	42.0%	35.9%
<b>Net indebtedness</b>	<b>30 526</b>	<b>31 283</b>	<b>34 441</b>	<b>41 631</b>	<b>41 910</b>
<b>Cash flow from operating activities</b>	<b>2 229</b>	<b>3 351</b>	<b>3 307</b>	<b>3 806</b>	<b>5 868</b>
Investments/acquisitions	-2 320	-2 244	-3 542	-4 650	-4 038
Average full-time-equivalent employee	1 209	1 340	1 408	1 498	1 548

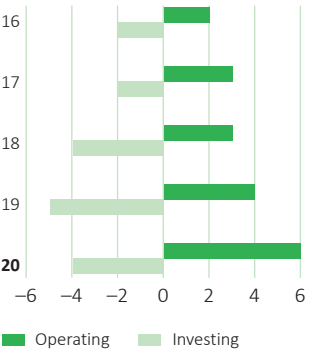
EBITDA and Revenues

EUR million



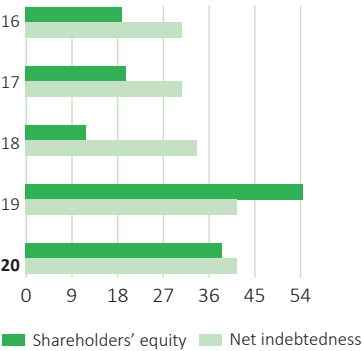
Cash flow from operating and investing activities

EUR million

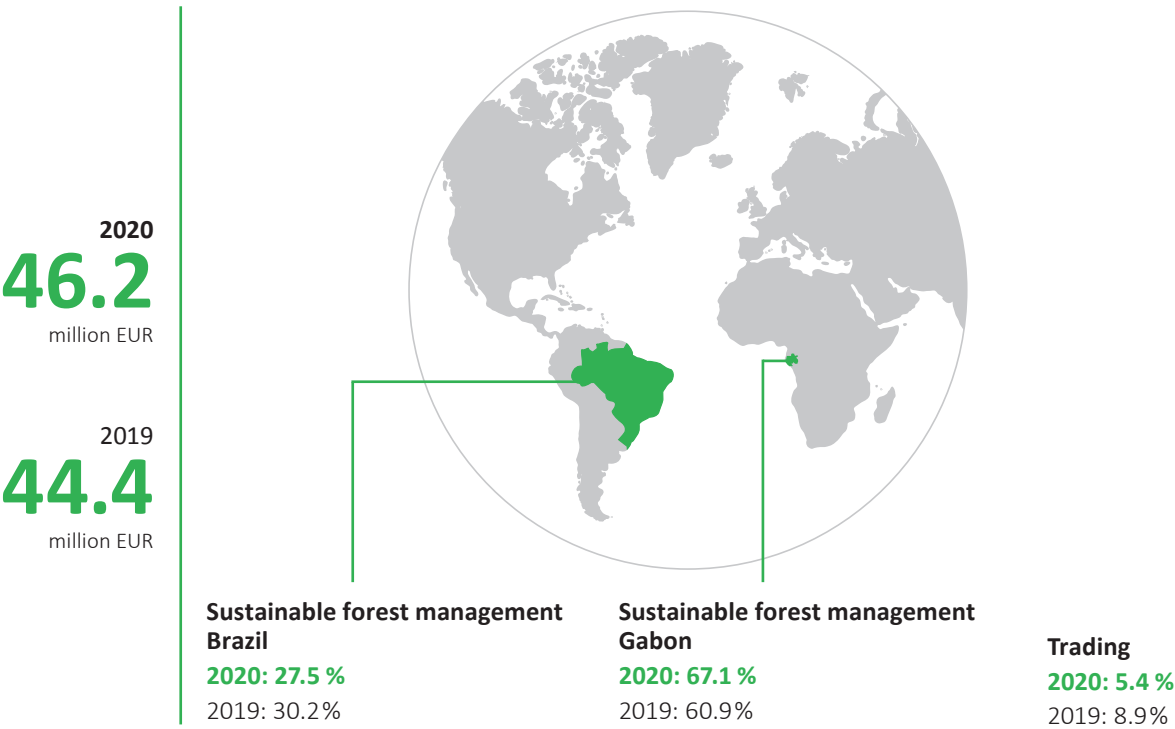


Shareholders' equity and Net indebtedness

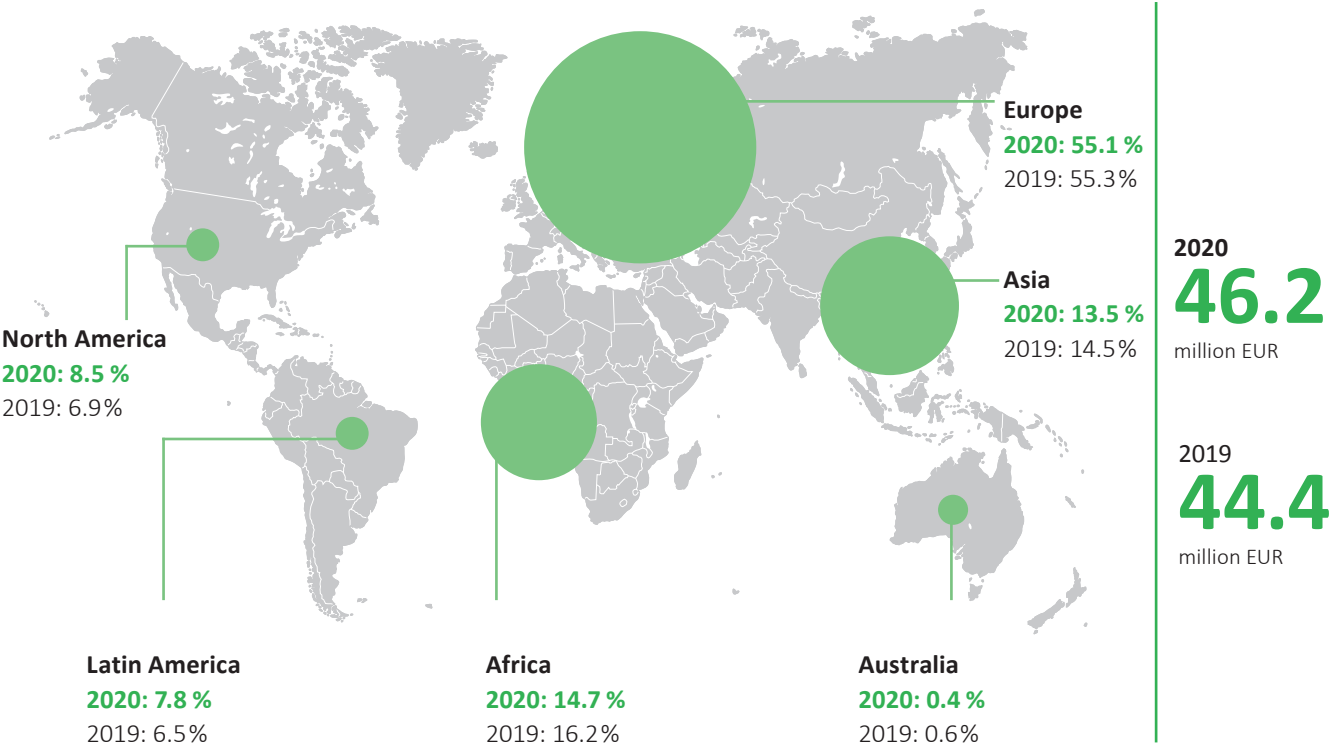
EUR million



Revenues by business segment



Revenues by market region



# Contents

## Operational review

- 4** To our shareholders
- 8** About Precious Woods
- 15** Group results
- 22** Brazil
- 28** Gabon
- 33** Trading
- 35** Carbon & Energy
- 38** Corporate governance
- 45** Shareholder information

## Financial report

- 47** Precious Woods Group financial statements
- 91** Precious Woods Holding Ltd financial statements



# Shareholders' letter





« We continue to expand our pioneering role  
and contribute to keeping tropical forest  
areas intact. »

Katharina Lehmann, Chairwoman



Picture large: Image from the forests of Brazil

Picture small: Sawn timber products manufactured by Precious Woods  
Amazon

# To our shareholders



Katharina Lehmann  
Chairwoman of the BoD

## Dear Shareholders

Covid-19 rapidly spread across the globe in 2020, putting the world into a state of emergency. Precious Woods was affected in Gabon, Brazil, the Netherlands and also in Switzerland. We will look at this impact in detail in the annual report. The enhanced health protection measures, the reduced headcount for part of the year, two serious cases of illness resulting in death, as well as the restricted travel possibilities for our management, our foreign employees in Gabon, and our sales specialists demanded a great deal of flexibility, perseverance, and adaptability from all our employees – and also a steep learning curve in using digital communication to manage work across continents and languages. The fact that, despite the extraordinary situation, we managed the challenges in the manner outlined this year, is an outstanding achievement by our entire team. These operational successes make us optimistic for the years to come.

### 2020: A successful operational year

Across the Group as a whole, we increased sales, revenue, and production compared to the normalized values of the previous year. The revenue increases in Brazil are apparent, while the increases in Gabon are still concealed in the high inventory volumes. The extent of the infrastructure difficulties in Gabon was especially high this year and had an enormous impact on operations, our team, and liquidity. Overall, however development in the sawmills has been positive: in terms of technology, revenue, and volume. And we are making good and rapid strategic and operational decisions today. This is especially important in situations that cannot always be planned. The fact that we are reporting a net loss in 2020 is due to the special situation and the high interest burden as well as the poor result of our veneer plant TGI.

### Good prospects for wood – and also for tropical wood

The worldwide demand for wood is increasing. In 2020, we suffered price losses due to high inventory volumes of our customers, market uncertainties due to the pandemic, and also restrictions imposed at individual producers. This situation will improve in 2021, and we expect rising prices and a recovery of demand. The challenge will be to use our versatile tropical woods also in the construction sector or in the sales channel of do-it-yourself markets. This requires additional investments in further processing and increased technical expertise from our teams.

### Investing in the future and new partnerships

In Gabon, the new sawmill for hardwood was put into operation with a delay in spring 2020. Since the beginning of 2021, we have been working in two shifts, and we firmly believe that the investments will contribute to future revenue. At the same time, we are convinced that the new partnership we have found for our veneer production in Owendo (TGI) represents a sustainable solution for its successful further development. The new company, Compagnie des placages de la Lowé (CPL), has been active since 1 October 2020 and strengthens the competence of Precious Woods in several areas.

In Brazil, the smaller renewal and replacement investments we made during the reporting year resulted in increases in volume, productivity, and revenue as described in this report. Strategic investments continue to be necessary at our Brazil location as well. On the one hand, we intend to repurchase the shares in BK Energia so that we own 100% of this extended value creation. On the other hand, we hope to secure additional public or private concessions in order to expand our activities for the long term. «Use it or lose it» continues to be our declared goal with regard to the utility of the intact forest areas in this region.

### Our credibility continues to be our greatest asset

Audits, such as for FSC or PEFC recertification, have been part of our third-party monitoring processes for years. We are now also examining other activities, such as, according to the criteria of the Forest 500 assessment, an initiative of Global Canopy. This includes an assessment of the contributions a company makes to minimize the risk of tropical deforestation. We are proud to have been ranked first among the world's timber processors and eleventh overall out of 500 companies and financial institutions. We are equally proud of our SPOTT classification (Sustainability Policy Transparency Toolkit), an initiative of the ZSL (Zoological Society of London). Here, Precious Woods achieved second place out of 100 companies assessed.



### Outlook and thanks

Infrastructural and institutional obstacles, along with the effects of the global pandemic, have again impacted our activities. With sales growth of 4.1% and an EBITDA margin of 12.5% (previous year: 13.2%), we can nevertheless look back on a reasonably successful year 2020. Thanks to our investments, the current market situation, and our proven management with many years of experience, we are also optimistic for the coming year.

On behalf of the entire Board of Directors, I would like to take this opportunity to thank the management in Switzerland, Gabon, and Brazil for their flexibility, great dedication, and strong performance. The responsibilities and business conditions were especially demanding and challenging in 2020 – in sales, at the production sites, in management, and also in the provision of support services. And I would like to thank our more than 1 500 employees at Precious Woods for their solidarity and outstanding commitment. I would also like to thank Markus Brüttsch for his extraordinary dedication, his nerves of steel, and transparent and reliable management and collaboration. And I thank my colleagues on the Board of Directors for their constructive and close collaboration at all times. I would not want to miss our monthly, virtual exchanges. Nevertheless, I hope that physical meetings will soon again be possible.

Last but not least, on behalf of the entire Board of Directors and all employees, I would like to express our gratitude to our shareholders. We would like to thank you for your loyalty and for continuing to support, accompany, and promote our activities and engagement.

We have again decided to hold this year's General Meeting without the physical attendance of shareholders. We very much hope to be able to invite you to an event in the second half of 2021 and to use this opportunity to engage in valuable conversations.

Yours faithfully



Katharina Lehmann  
Chairwoman of the Board of Directors

# Sustainability







*Precious Woods contributes to the long-term conservation of tropical forests. This has a positive impact on sustainability goals such as biodiversity.*



Picture large: Dragonfly of Brazil  
Picture small: Chameleon of Gabon



# Precious Woods – living sustainability in all three dimensions

Precious Woods is one of the leading companies in sustainable management of tropical rainforests globally and is regarded as a pioneer in many areas. Certification according to the standard of the Forest Stewardship Council (FSC) has been part of the entrepreneurial philosophy of Precious Woods for many years. Since 2017, the entire Group has also been certified according to the PEFC/PAFC standard. These standards define all essential criteria for sustainability in forestry. The certification schemes cover forestry processes as well as operational timber production, trading, and the handling of social and environmental demands in the context of tropical forest management. Precious Woods thus guarantees 100 %-certified products from its PW Amazon, PW Gabon, and PW Holding operations. The core business is the production and sale of certified sawn and semi-finished tropical timber products. In Brazil, Precious Woods holds a 40 % share in a biomass power plant allowing the company to also sell certified emission reductions (CERs) by utilizing residual wood from production. The aim of all activities is a high level of customer value while preventing deforestation of tropical forests through sustainable forest management and the associated added value. Economic success ensures the social and environmental sustainability of activities and is essential for the long-term conservation of tropical forests. The Precious Woods Group is headquartered in Switzerland and employed about 1 500 people in Brazil, Gabon and Switzerland in 2020.

## Indicators training 2020 (2019)



Training hours  
652 (784)



Training hours per  
employee  
0.4 (0.5)

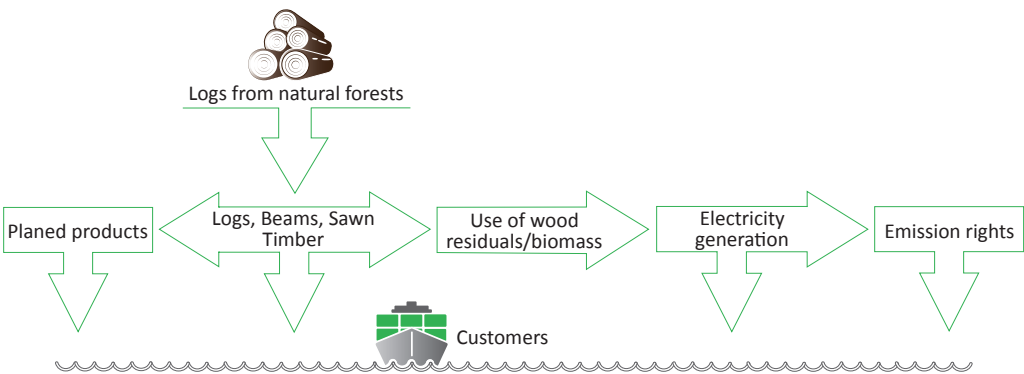
### Vision

As an economically successful company, Precious Woods creates jobs and supports local communities and contributes to the long-term preservation of tropical forests and their positive impact on sustainability goals such as biodiversity and the natural water cycle through sustainable forestry as well as the transformation and the marketing of the resulting products.

### Products and markets

Precious Woods produces and sells logs and sawn timber (beams, poles, boards), planed products, and veneer made from high-quality tropical timber from more than 60 tropical tree species. Main target groups are the marine and hydraulic engineering sector, garden, building and road construction, as well as outdoor furniture manufacturers in the European, Brazilian, Asian, and US markets. Thanks to continuous public campaigning by prominent non-governmental organizations, awareness of the environmental and social consequences of uncontrolled exploitation of tropical forest resources is increasing and leading to a positive change in framework conditions. This development offers Precious Woods – with its consistent strategy aimed at sustainability – a growing market share.

### Market orientation and continuous optimization of the value chain



Thanks to its holistic approach ranging from sustainable forest management and timber production to marketing, Precious Woods promotes certification of the whole chain of custody and complete traceability. The procurement of additional timber products for Precious Woods’ own

trading focuses on forestry and processing companies that are also certified. Lesser-known species of wood are continuously tested and introduced on the market. For that purpose, Precious Woods examines uses for about 60 different timber species and puts this knowledge into practice to satisfy customer and market demands. At the same time, the activities preserve the integrity of the tropical forests. All factors taken together lead to the statement that Precious Woods makes sustainable and long-term economic activity possible.

### Goal of sustainable growth

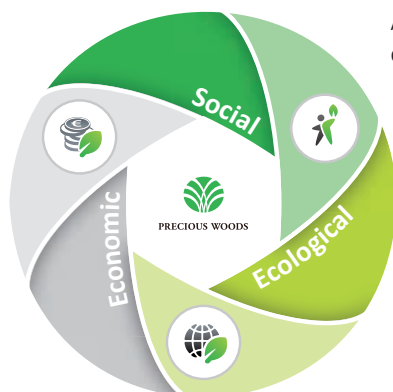
Following acquisitive growth between 2000 and 2008, the company has since aimed at organic, sustainable growth. Medium-term goals are an EBITDA margin of 20% of net annual sales and an equity ratio of about 40%. In order to secure its operational activities, Precious Woods must have sufficient liquidity to absorb seasonal fluctuations and political risks. Not least of all, Precious Woods wants to secure 100% certification according to the highest standards in all its activities.

### Management organization with strong market orientation

Precious Woods consists of four business units and a Group Management that focuses on the realization of strategic goals, sales, marketing and communication, as well as financial management and control. These areas as well as their activities and results are documented in detail in this annual report.

### Sustainable forestry in all dimensions

Selective logging is not at all equivalent to sustainable forestry. FSC/PEFC-certified tropical forest management as practiced by Precious Woods is based on careful planning and selection of the trees to be harvested, without endangering the diversity of tree species, the stocks, or the regenerative capacity. Average logging at Precious Woods is 1 to 3 trees per hectare during a cycle of 25 or 35 years. The legal foundations would permit a far higher logging quota, which would also result in lower costs. But this is not an option for Precious Woods, because we would then be unable to fulfil our environmental or social responsibility. Our activities are independently verified each year and documented by scientific studies. In this way, we can demonstrate that timber can be harvested in tropical forests without negatively affecting or endanger the ecosystem. Thanks to this insight, it is possible to secure employment and generate local added value even in remote regions of emerging countries.



At the same time, Precious Woods makes a wide range of contributions to improving local earning opportunities. Precious Woods ensures social added value not only through the creation of jobs, but also through targeted basic and continuing on-the-job training in Brazil and Gabon, schools, health clinics, as well as other infrastructure in remote tropical forest areas. In doing so, the company makes an important contribution to economic and social development and stability in these regions. Precious Woods actively aims to improve the living conditions of its employees, their families, and the communities.

Added value in ecological terms means managing Precious Woods' forest areas consistently with sustainable practices to preserve these renewable natural resources – including their

### Indicators Health and safety 2020 (2019)



Accidents at work  
**115** (128)

Accidents per  
1 000 employees  
**74** (85)



Days lost per  
accident  
**10.8** (8.8)



Fatal accidents at work  
- (-)

## Indicators employees 2020 (2019)



Number of employees  
total (yearly-Ø)

**1 548** (1 498)

Brazil

**676** (591)

Gabon

**858** (893)

Europe

**1** (1)

Corporate

**13** (13)

biodiversity – also for future generations. The social and environmental engagement of Precious Woods is also described in detail in the reports on the individual business segments.

		Brazil	Gabon
Forest area	in ha	506 699	596 800
Net forest area	in %	76	92
Employees		676	858
Communities		9	44
Harvest volume per year	in m <sup>3</sup>	180 000	240 000
Harvested area per year	in ha	12 500	22 000
Harvest volume per ha	in m <sup>3</sup>	13	10
Harvest cycle	in years	35	25

### Market opportunities thanks to sustainability certificates for tropical wood

Both certification standards go far beyond the minimum requirements of legality, setting out more extensive demands in regard to environmental and social sustainability in forestry as well as an uninterrupted chain of custody. The increasingly stringent legal requirements in importing countries will benefit trade in sustainably certified timber in the medium term. The total forest area under FSC certification was 195 million hectares at the end of 2018, which is greater than the area of Germany, France, Spain and Italy combined. But only about 10% of that area covers tropical and subtropical forests and afforestations, which means they are still highly underrepresented in terms of FSC certification. Precious Woods manages about 7% of the total FSC-certified tropical and subtropical forest area.

### Contribution to the UN Sustainable Development Goals

In 2015 the United Nations issued the 2030 Agenda for Sustainable Development with the 17 Sustainable Development Goals (SDG) as its central element covering a wide range of social, economic, and environmental development issues. Within the SDG, protecting biodiversity and guaranteeing the livelihoods of the local population are addressed as priorities and targets for 2030. Precious Woods through its certified and sustainable activities in the Congo Basin and Amazon rainforest is a strong contributor to these Sustainable Development Goals.

Moreover, the 2015 Paris Agreement of the UN Framework Convention on Climate Change (UN-FCCC) underlines that practicing sustainable forest management is a key element for limiting climate change and its impacts.

### Precious Woods Amazon: Close ties with the local population

In 1997, PW Amazon was the first FSC-certified company in Brazil. More far-reaching investments have been made not least of all in the fields of workplace safety, accident prevention, and training. We maintain partnerships with educational institutions in order to promote schooling as well as professional training for the employees, their families, and the local inhabitants of Itacoatiara (the neighbouring city with approximately 80 000 inhabitants) and the surrounding communities.

Precious Woods attaches great importance to a good understanding with the local population: In 2016, PW Amazon began a socioeconomic survey of the local communities, which is repeated



every year. We draw on this survey to gain insights about environmental, ethnic, and religious aspects and the measures we should take to promote participation by the local population.

Precious Woods also organized capacity building courses and projects for the benefit of the local communities in 2020, which are described in more detail in the segment reports.

In cooperation with the HAFL (University of Applied Sciences, School of Agricultural, Forest and Food Sciences) and other educational institutions, we regularly accompany bachelor's and master's theses of prospective forest engineers. In that way, we gain important insights into the impact of our activities, the regenerative capacity of our forest areas, and any potential for improvement. And sometimes we even succeed in attracting managers, bachelor and master students for our locations in Brazil and Gabon.

### **Precious Woods in Gabon – Projects for the protection of flora, fauna, and biodiversity**

As a company, PW Gabon goes far beyond the sustainability standard required by FSC and PEFC certification – for example in our monitoring and inspection of concession areas, the analysis of timber harvest and usage areas, as well as the professional and environmentally sound disposal of fuels, lubricants, accumulators, and chemical substances. Over the past few years, an average of only 1.4 trees per hectare have been logged in the protected zones of the concession, corresponding to about 14 m<sup>3</sup>/ha. Thanks to this gentle use, the share of the forest impacted by logging has been kept very low. Cutting, access roads, and loading areas take up less than 2% of the used area on average, which is four times better than the average in Gabon as determined by a study of the Food and Agriculture Organization (FAO).

Precious Woods devotes special attention to wildlife protection: The company is involved in the training and education of its employees and the local population together with the Wildlife Conservation Society (WCS). In cooperation with the WCS, PW Gabon also works to collect data on big game, the diversity of species, and other aspects of biodiversity. We also combat illegal activities, especially poaching. Today, poaching in our concession areas is largely under control. In this context, it is important to prevent access via forestry roads and back paths into the zones that have already been used.



Women

in %

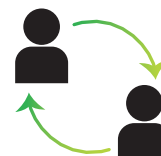
**8.2** (9.6)



Men

in %

**91.8** (90.4)



Rate of employee turnover

in %

**3.5** (3.4)

## Indicators Forest management 2020 (2019)



Forest protection total  
area in ha  
**1 103 500** (1 103 500)



FSC share of timber  
Production sold in %  
**97** (100)



PEFC share of traded  
timber sold in %  
**100** (100)

## Our contribution to ongoing protection of the forests

**4 : 1**

- Up to 4 m<sup>3</sup>/ha/year growth in sustainably managed forests compared with less than 1 m<sup>3</sup>/ha/year in protection zones
- 20 years measurement of wood volume growth



**330 000 000 tC**

- Carbon sequestered by PW forest areas (calculated at 300 tC/ha)



## Fauna / Flora

- Large populations of elephants and gorillas (Gabon)
- Most effective protection of biodiversity through RIL (reduced-impact logging)



## Sounding Board

The responsibility for ensuring and further developing the sustainability of the entire Group lies with the Board of Directors. The Board of Directors draws on experts for individual cases and on the Sounding Board on a regular basis. The Sounding Board discusses new developments with Precious Woods in regard to the sustainable management of tropical forests and supports the company in its relations with local and international stakeholders and professional organizations. Topics include recommendations for reporting by Precious Woods and the fulfilment of sustainability goals in their economic, environmental, and social dimensions.

## Institutional framework as opportunity and challenge


The important function of tropical forests in carbon sequestration and the conservation of the enormous biodiversity is gradually becoming established in the public consciousness. The global community and tropical forestry are increasingly being viewed in the light of global resource depletion. When selecting suitable locations for its forestry operations, Precious Woods not only assesses availability, accessibility, and quality of the forest resources, but also places special emphasis on the framework conditions and reliability of the countries in question. Precious Woods respects the legal and institutional structures, local environmental and forestry policies, and relevant legislation, as well as their implementation in practice.

## Illegal logging threatens certified timber trade and sustainable development

Illegal logging and trade grew to threatening dimensions at the beginning of the century, especially in tropical countries. A study by Chatham House estimated the global damage from illegal logging to timber producing countries at USD 15-20 billion annually. The consequences are deforestation, loss of biodiversity, increase in carbon emissions, but also often conflicts with indigenous peoples, violence, and human rights abuses. It is up to the producing as well as importing countries to prevent illegal logging and trade, as set out in the G8 Action Programme on Forests. Since then, various measures by governments and the private sector have been initiated. Implementation of these measures has started to produce results, but governments have been sluggish in implementing them.

## Carbon Footprint

The carbon emissions generated by Precious Woods are recorded in three categories according of World Resources Institute (WRI) classification, in 2020.

	<b>Total in metric tons of CO<sub>2</sub></b>		<b>22 484</b>	<b>100.0 %</b>
	<b>Category 1</b>	Direct emissions from fuel consumption	14 381	64.0%
	<b>Category 2</b>	Indirect emissions from electricity consumption	2 461	10.9%
	<b>Category 3</b>	Flights Transportation	158 5 485	0.7% 24.4%

## The role of forestry in the current climate change debate

Over the past decades, large forest areas have been deforested or degraded, especially in moist tropical forest areas. There are multitudinous causes: the continuing demand for areas to convert into commercial agricultural land, livestock pastures and agricultural land, slash-and-burn subsistence farming, the increasing exploitation of mineral resources in tropical forests, uncontrolled forest fires, illegal logging for firewood and sawn timber, or simply non-sustainable forestry. Deforestation has still been a cause for great concern in recent years. This is mainly due to its negative impact on global warming and the special climate regime of large forest massifs. Today, deforestation in the tropics and non-sustainable forestry contribute about 11% to greenhouse gas emissions. After the adoption of the Paris Agreement in December 2015, the REDD+ concept (reducing emissions from deforestation and forest degradation, sustainable management of forests and enhancement of forest carbon stocks) has become a key component of carbon compensation schemes for preserving forests in tropical countries. Many countries with tropical forest areas, international organizations, NGOs, scientific institutes and companies are currently engaged in creating methods and capacities for such compensation schemes and projects. Sustainable forestry as applied and advocated by Precious Woods will play an important role in this regard. We will continue to pursue the development of REDD+ activities and carefully review our eligibility for participating in REDD+ compensation projects or other international initiatives.

## Indicators Energy and emissions 2020 (2019)



Reduction of CO<sub>2</sub> emissions in t  
**34 867** (32 269)



CO<sub>2</sub>-emissions in t CO<sub>2</sub>-equivalents  
**18 800** (17 700)



Electricity consumption in GJ  
**30 900** (34 700)



Fossil fuel consumption in GJ  
**193 400** (191 600)



## Milestones Precious Woods

**1990** Precious Woods is founded by Swiss Investors. The company begins in Costa Rica with reforestation of uncultivated pasture.

**1993** With the founding of Precious Woods Ltd. the private company opens its doors to shareholders.

**1994–1997** Market entry in Brazil. Precious Woods Amazon is founded with the establishment of a sustainable forestry operation. In 1997, it is the first company in the region to be certified according to Forest Stewardship Council (FSC) standards.

**2001** Precious Woods together with the Dutch timber trading company A. van den Berg B.V. founds another forestry business in the Brazilian state of Pará (Precious Woods Pará).

**2002** Precious Woods Holding AG becomes a public company by being listed at the SIX Swiss Exchange.

**2003** Precious Woods continuously expands its activities and extends reforestation operations in Central America and Nicaragua.

**2005** In Itacoatiara, Brazil, Precious Woods acquires 80% of BK Energia, a biomass power plant affiliated to PW Amazon's sawmill, which has been in operation since 2002. In the same year Precious Woods acquires its largest customer and partner, the Dutch company A. van den Berg B.V., which was continued as Precious Wood Europe.

**2006** Precious Woods sells its first carbon emission rights, thereby expanding its activities in the business segment of non-timber products from tropical forests.

**2007** Acquisition of the forestry company Compagnie Equatoriale des Bois (CEB) and the veneer company Tropical Gabon Industrie (TGI) in Gabon. Acquisition of a minority stake in the company Nordsudtimber in the Democratic Republic of Congo.

**2008** In October 2008, the subsidiary Precious Woods Gabon receives the FSC-certificate for its forestry operation (Forest Management Certificate) and the product chain certification (Chain of Custody Certificate) for the sawmilling and moulding activities. The lack of stable legal and institutional frameworks in the Brazilian state of Pará is forcing Precious Woods to give up its forestry operation.

**2009** The FSC certification for the TGI veneer factory makes Precious Woods the first company in the world whose entire production line in the forestry and timber industry in the tropics is comprehensively certified.

**2010** The radical restructuring of the Precious Woods Group intensifies; issues from the past being resolved, the productivity increased and the market position strengthened. Precious Woods receives the environmental award from the Swiss Environmental Foundation (Umweltpreis der Schweizerischen Umweltstiftung).

**2011** In October, the partial sale of 75% of PW Central America to two existing Swiss shareholders approved by the 2011 General Meeting of Shareholders will be completed, resulting in a partial debt reduction for the Holding company.

**2012** The Extraordinary General Meeting approves the increase of the ordinary, sold to the existing co-shareholders and the debt is reduced further. The Group sells 40% of its shares in BK Energia to the co-shareholder, holding now only 40% of the shares.

**2013** On 15 March 2013, the capital increase was carried out successfully. The share capital was increased by CHF 309 451 to CHF 3 747 806 by 309 451 shares with a nominal value of CHF 1.00. The delisting from SIX Swiss Exchange effected on August 2013. In November 2013, it was decided to dissolve the sales company PW Europe in the Netherlands and to transfer its activities to Precious Woods Holding.

**2014** Successful conversion of the distribution structure over the PW Holding of the B2B of PW Amazon.

**2015** On 30 December 2015, the right to convert convertible loans was exercised to purchase shares. The capital increase amounted to 1 216 214 shares with a nominal value of CHF 1 each to CHF 4 984 020.

**2016** On 28 June 2016, the share capital increased with authorized capital in the amount of CHF 806 798 (806 798 shares with a nominal value of CHF 1.00 each). Furthermore, the share capital increased with conditional capital in the amount of CHF 93 850 (93 850 shares with a nominal value of CHF 1.00 each) in August 2016.

**2019** The land areas and biomass in Brazil were assessed and reported at fair value.

**2020** We have entered into a new partnership for our veneer production (TGI) with effect from 1 October 2020. The new company Compagnie des placages de la Lowé (CPL) will strengthen Precious Woods competences in Gabon.

# Increased profitability in the sawmills and sales increase despite delivery problems in Gabon

Precious Woods achieved consolidated net sales of EUR 46.2 million in fiscal year 2020. This was 4.1 % above the previous year's sales (EUR 44.4 million). Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR 5.8 million and repeated the normalized figure from the previous year (EUR 5.9 million). Earnings before interest and taxes (EBIT) amounted to EUR 1.9 million, EUR 0.5 million higher than the previous year (EUR 1.4 million). The net result was EUR -2.2 million (previous year EUR -1.1 million). The income figures were presented in relation to the normalized figures for 2019. The effective figures for 2019 included special effects from the valuation of biomass in Brazil.

in EUR million	2020	2019	Index	Change
<b>Net Sales Precious Woods Group</b>	<b>46.2</b>	<b>44.4</b>	<b>104.1 %</b>	<b>+1.8</b>
Sawmills in Gabon	22.8	21.2	107.5 %	+1.6
Veneer plant in Gabon	9.3	10.5	88.6 %	-1.2
Net Sales Precious Woods Gabon	31.0	27.1	114.5 %	+3.9
Net Sales Precious Woods Amazon	13.4	13.4	100.1 %	+0.0
Net Sales Precious Woods Trading	2.5	3.9	63.4 %	-1.4

## Covid-19 pandemic

Operations were partially restricted due to Covid-19 cases starting in March 2020. However, we never had to order a complete standstill of the operations. The hygiene rules in force in Switzerland were also applied in Gabon and Brazil. On a supporting basis, the government of Gabon carried out extensive and periodic tests for our employees. In Brazil, we had to rely on our own measures, and at times we also supplied hospitals with hygiene and testing material, given that they did not have sufficient quantities available. We would like to take this opportunity to thank not only the government of Gabon for its support, but also all our employees for their dedication in this extraordinary situation.

## Income statement

### Total income

In 2020, we achieved net sales of EUR 46.2 million, an increase by 4.1% over the previous year (EUR 44.4 million). Currency effects amounted to -2.5%, volumes increased by 13.5%, and shifts in the price/product mix impacted sales by -6.9%. Sales of emission certificates amounted to EUR 0.1 million, as in the previous year.

In Brazil, delayed permits from government authorities led to harvest delays. We were able to reduce the impact by processing tree species for the local market that have less demand in export markets. Deliveries through the container port in Manaus were at no time jeopardized in 2020. In Gabon, we again experienced numerous interruptions in deliveries like in previous years. At times, there were no containers available, roads were impassable, or rail capacity was insufficient. Because of Covid-19, ships were at times also not allowed to dock, and authorities to process the goods were available only to a limited extent. Several short strikes by authorities made work even more difficult. In summary, we had to deal with massive – and more than usual – infrastructure problems in Gabon in 2020. Because of delayed machine and parts deliveries, for instance, we were not able to start operations at the new sawmill for hardwood until April, and we ramp up to two-shift production only in early 2021. All these circumstances led to additional costs and high inventories of finished products. The margin generated was also reduced, and we experienced liquidity bottlenecks.

Net sales

**46.2**

EUR million

Effective 1 October 2020, Precious Woods entered into a partnership with a French group that is the market leader in the production of plywood panels in France and also has a veneer production site in Gabon. By merging the two veneer plants, we are able to secure technical expertise, future viability, and distribution for TGI products. As in previous years, the sawmill will supply the new company with veneer quality logs. Precious Woods holds a 49% stake in this merger.

Despite the more difficult operating conditions, we achieved Group sales growth of about EUR 1.8 million or 4.1% in 2020. The exchange rate effects of -2.5% and the effect of the price/product mix of -6.9% are primarily due to the sale of sawn timber in the local market in Brazil. Prices in the local market are lower than in the export markets, and the 24% weaker Brazilian real against the EUR is reflected in the consolidation. Overall, operations in Brazil generated the same sales as in the previous year. In Gabon we achieved an increase in sales of EUR 3.9 million or 14.5 %. This is also due to the fact that the sale of logs from Bambidie to the TGI veneer plant is deemed external sales starting in October 2020. Trading sales in logs and sawn timber from Europe decreased again and, at EUR 2.5 million, were 36.6% or EUR 1.4 million below the previous year.

#### **Operational development: Costs and market**

The production volume of sawn timber in Brazil increased by 11.5%. Yield improved by 1.2 percentage points. Of the total harvest volume of about 185 000 m<sup>3</sup>, 30 000 m<sup>3</sup> could not yet be transported from the forest to the sawmill because heavy rains blocked us since November. Sales of sawn timber for the local market increased by 87%, while sales for the export market decreased by about 17%. Sawmill capacity was slightly expanded again somewhat. The good capacity utilization led to a further increase in profitability.

The sawmills in Gabon processed 8.1% more logs and at the same time produced 5.5% less sawn timber. This was due to a reduction in yield of about 2.5 percentage points. Export sales increased by 10.5% over the previous year, but the inventories of logs and sawn timber in the sawmills also increased.

The veneer plant was fully owned by us only until the end of September 2020. During this time, log processing was at the level of the previous year, but yield fell by 3.3 percentage points. This development had a very negative impact on the operating margin, and we ultimately recorded a loss at that plant.

Market prices for sawn timber were under substantial pressure all year. Due to the pandemic and the great uncertainty, demand fell, leading at times to overcapacity. Thanks to our strong market position with certified products, we were able to limit the consequences. Our pure trading activities and sales to our veneer customers were most affected. The high inventory levels led to strong price reductions in this segment.

The investment volume was EUR 4.0 million (previous year: EUR 5.7 million). The focus was on the new hardwood sawmill in Gabon, which began production in April 2020. Replacement investments in machinery and vehicles, renewal projects in road construction, and expansion of production capacities for sawn timber in Brazil were also implemented. These targeted investments will improve the Group's earning power. Maintenance work in all plants was carried out on schedule.

#### **Investment**

**4.0**

EUR million

The average prices for sawn timber across the Group were 6.9% below the previous year's level. A special challenge for us continues to be the search for markets and applications for the approximately 50 different timber species that we process each year. With our dual certification and credibility, we have good arguments and a head start here, given that sustainability is playing an ever-greater role in the procurement of tropical woods. However, the major challenge remains to establish even small quantities of lesser-known timber species on the markets and with customers. Europe continues to be our main sales market with a share of about 55.1%, followed by Africa with 14.7%, Asia with 13.5%, and other countries with 16.7%. The share in Europe decreased by 0.2 percentage points.

### Operational costs

Production costs increased by 12.2% across the Group. The operational contribution decreased by 1.0% or EUR 0.3 million over the previous year. Personnel costs fell by 7.8% or EUR 1.6 million. These figures must be seen in the context of the exchange rate effect from the Brazilian real, given that costs are about 24% lower than in the previous year.

### Operating result (EBITDA)

Earnings before interest, taxes, depreciation and amortization (EBITDA) was EUR 5.8 million, on the level of the previous year (EUR 5.9 million). This corresponds to an EBITDA margin of 12.5% (previous year: 13.2%). The valuation of biomass in Brazil gave rise to a one-time effect in the previous year, and we reported an EBITDA of EUR 18.4 million (normalized: EUR 5.9 million).

PW Amazon achieved an EBITDA margin of 31.5% (previous year: 22.3%). PW Gabon decreased its EBITDA margin by 4.9% to 13.6% (previous year: 18.5%). Consolidated depreciation was EUR 3.9 million (previous year: EUR 4.5 million), 13.6% lower than in the previous year. At Group level, earnings before interest and taxes (EBIT) reached EUR 1.9 million (previous year: EUR 1.4 million). This corresponds to a margin of 4.1% (previous year: 3.1%). All comparative figures refer to normalized results, however.

Taking into account the one-time effect, EBIT in 2019 was EUR 14.0 million.

### Financial result

At EUR -3.0 million, the financial result was below the previous year's level of EUR -2.3 million. At the end of the year, net debt was EUR 41.9 million, EUR 0.3 million higher than in the previous year (EUR 41.6 million). The currency effect of EUR -0.1 million was practically at the previous year's level of EUR -0.2 million.

### Net result

The net loss was EUR 2.2 million compared with a loss of EUR 1.1 million in the previous year. The loss in the first half year could not be made up, but we consider the result to be satisfactory in light of the difficult market situation. The net result with one-time effects was EUR 8.0 million in 2019.

### Outlook

Now that the new hardwood sawmill in Gabon has been operating in two shifts since the beginning of the year and production capacity in Brazil has increased again, we expect an increase in sawn timber volumes and improved yield. Harvest volumes will end at the level of 2020. If the delivery situation in Gabon improves, we will be able to reduce our excessively high inventory and achieve a net increase in sales and profitability. Our partnership in the veneer business will also

EBITDA margin

**12.5 %**

EBIT margin

**4.1 %**

Financial result

**-3.0**

Million EUR

Net result

**-2.2**

EUR million



**Assets**  
**109.4**  
EUR million

**Equity**  
**39.3**  
EUR million

**Operating cash flow**  
**5.9**  
EUR million

have a positive impact on sales and earnings. Further expansions in the sawmills are coming up, so that we will be able to process higher volumes in 2022 as well. Price increases have been observed in the sales markets since February 2021. All the factors listed above make us confident that we can expect a successful year in 2021. Precious Woods intends to take full control of the BK Energia energy plant in Brazil and to repurchased the shares.

### Balance sheet

Total assets amounted to EUR 109.4 million, EUR 21.7 million lower than in the previous year. Biomass and the value of our forest area in Brazil are valued in Brazilian real, and the 24% lower exchange rate results in a corresponding devaluation, which reduces equity and accordingly also total assets.

Equity amounted to EUR 39.3 million (previous year: EUR 55.1 million). The equity ratio as of the balance sheet date was 35.9% (previous year: 42.0%). This reduction is mostly due to exchange rate effects, given that the loss was EUR 2.2 million.

Cash flow from operating activities increased by EUR 2.1 million to EUR 5.9 million. The change in working capital was EUR 1.3 million. Investments in tangible fixed assets amounted to EUR 4.0 million. Cash flow from financing activities was EUR -1.6 million.







# PW Amazon







*The sustainable use of tropical forests requires careful forestry activities.*



Picture large: Image from the forests of Brazil  
Picture small: Sawmill from PW Amazon

# Precious Woods Amazon – operational progress despite pandemic and restrictions

PW Amazon achieved net sales of EUR 13.4 million, the same as the previous year. Export sales decreased by 8.3 %, revenues in the local market increased by 21.9 %, and sales from deliveries of biomass to the energy plant were 7.3 % lower than in the previous year. Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR 4.2 million (previous year: EUR 2.8 million), corresponding to a margin of 31.5 % (previous year: 22.3 %). Earnings before interest and taxes (EBIT) amounted to EUR 3.5 million (previous year: EUR 1.7 million). This corresponds to an increase of EUR 1.8 million over the previous year. All figures are compared with the normalized previous-year figures, given that one-time effects in connection with the initial valuation of biomass influenced the result in 2019.

in EUR million	2020	2019	Index	Change
Net Sales	13.4	13.4	100.1 %	+0.0
EBITDA	4.2	16.4	25.8 %	-12.2
EBIT	3.5	15.3	22.9 %	-11.8

## Key figures Environmental in 2020 (2019)



Energy consumption in GJ  
**54 900** (56 600)



Direct CO<sub>2</sub> emissions in t  
**2 600** (2 800)



FSC share for timber  
production sold in %  
**100** (100)

## Higher harvest volume, increased production volumes, higher yield

The harvest volume for logs was 184 200 m<sup>3</sup>, 18% higher than in the previous year. The sawmill processed 164 400 m<sup>3</sup> of wood, 5.8% more than in the previous year. PW Amazon was once again able to increase yield. This resulted in an 11.5% higher sawn timber production of 38 300 m<sup>3</sup> in total (previous year: 34 350 m<sup>3</sup>). The production year began in mid-January. The annual maintenance work was carried out in stages, and no sawmill operations were interrupted at any time.

In 2020, harvest activities were impeded in several ways. The permit for the second part of our forest areas came 2½ months late. This was due to the switch from IBAMA to IPAAM (both Brazilian forestry authorities) and their lack of personnel due to the pandemic. This meant that we first had to put the harvesting teams on leave and then reinforce them in October, which meant additional costs. In addition, early heavy rains starting in November prevented us from transporting the harvested logs out of the forest in a timely manner. Of the total harvest volume, about 30 000 m<sup>3</sup> is still in the forest and cannot be evacuated until June 2021. As a consequence, we will reduce production capacity somewhat in the first half of the year and then make up for it in the second half.

At the sawmill, the measures to increase capacity had a positive impact, and we were able to use the increased capacity for cutting products for the local market. A follow-up action by the environmental authorities together with the federal police brought the illegal timber trade in our region to a halt. This situation gave us the opportunity to process and sell timber species that are not suitable for export. This also accounts for the shift from export to local sales. The average prices for the local market are far below the export prices. However, we were partly able to make up for this because of higher yields. Thanks to the additional harvest of other tree species, we exceeded our planned harvest volume by 7 000 m<sup>3</sup>.

The negotiations on private concessions to expand the harvest areas were intensified and partially concluded. The gaps until the second rotation, which will start in 2029, have accordingly been closed. In the second half of 2021, we expect state concessions to be auctioned. We are interested in acquiring additional concessions and increasing capacities in timber processing. In the past fiscal year, we were also able to settle minor legal disputes with alleged landowners in our favour.



Over the past fiscal year, we were largely able to keep our Covid situation under control. But while most of the cases were mild, we unfortunately had two serious cases resulting in fatalities. We extend our deepest condolences to the family members. In the Amazon region in particular, there is a lack of medical care, and PW Amazon has accordingly in several cases supplied the hospitals with relief materials, including urgently needed oxygen.

Being able to increase productivity and profitability in such an exceptional situation demands everything from the management and staff. We are very grateful to have this team in Itacoatiara and thank them all for their tremendous dedication, especially during this challenging and difficult time.

The investment volume in Brazil was only about EUR 0.3 million. This was spent on renovation measures at the sawmill, including additional buildings and transport equipment.

The local currency (BRL) fell in value by about 24% against the euro. 75% of sales were made in EUR, 10% in USD, and 15% in BRL, while nearly 100% of costs are in BRL. This had a positive currency impact overall on the consolidated income statement. The sales and costs development at PW Amazon must be interpreted in this context.

Legal rules and our commitment to the sustainable use of tropical forests require our company in Brazil to harvest many different species of timber. This continues to be a great challenge and also entails greater complexity for our operational activity. Our ongoing task is to establish and promote lesser-known and lesser-used timber species on the export markets, to examine their areas of application and to increase their familiarity. On the local market, prices remain very low, and transport costs to the populated areas in the south of the country are high. There is also a lack of awareness in regard to legally produced timber, and we are competing in the domestic market with illegally harvested and therefore cheaper sawn timber. As a consequence, our competitiveness on the local sales market remains limited, but it improved thanks to actions taken against the illegal timber trade. We regularly gain new customers for use of lesser-known wood species in Europe, the United States, and Asia. Increasingly, we are successful in educating customers, persuading them to buy these timber species, entering into promising partnerships, and opening up markets for products with specific applications or in connection with the special features of the wood species.

### Continued high resources for legacies and special factors

About 420 000 hectares of forests (own forest and smaller concessions) are currently available for harvest. We have made further efforts to legalize the land titles that have not yet been secured and to evaluate and secure new concessions. We are also trying to exchange land areas located in protected zones (around 45 000 ha) against productive, usable areas. We are currently negotiating with the government in this regard.

Already in fiscal year 2019, value adjustments were made on about 60 000 ha of land that had previously been only partially depreciated, because we had expected to lose the legal dispute. The titles to the land were transferred at the beginning of 2021, and we were at the same time able to conclude the concession agreement.

The recertification audits according to the FSC and PEFC standards were passed successfully and without any comments in 2020. We also received additional certifications for carbon sequestration and water conservation (Ecosystem Services).

## Key figures Economic in m<sup>3</sup> 2020 (2019)



Sales sawn and  
industrialized wood  
**36 800** (31 800)



whereof export  
**20 000** (22 800)



Sales logs and piles  
**400** (500)



Sales biomass  
**89 200** (94 800)



Harvest volume  
**188 500** (156 100)

## Key figures Social in 2020 (2019)



Employees  
**676** (591)



Women in %  
**8.5 %** (11.0%)



Men in %  
**91.5 %** (89.0%)



Accidents at work  
**19** (29)



Days lost per accident  
**10.8** (7.5)

In the reporting year, there was no new information concerning the pending threat of two major fines dating back to 2002 and 2007. The threatened fine by the Brazilian environmental protection agency IBAMA and a threatened property tax fine continue to be legal cases that our lawyers are working on, and we expect that the matter can be resolved within the scope of provisions already set aside.

### Precious Woods Amazon in brief

Precious Woods has been operating in the state of Amazonas, Brazil, since 1996. PW Amazon runs sustainable forestry operations on 506 699 hectares of its own land and concessions (as of the end of 2020) near Itacoatiara, 170 kilometres east of Manaus. PW Amazon has been certified according to FSC criteria since 1997. In December 2017, PW Amazon was additionally certified according to PEFC guidelines. Certified forests are managed sustainably on the basis of an audited harvesting plan under which only two or three trees per hectare of forest are harvested in a 35-year cycle. At the same time, this gentle and sustainable use generates a source of income for the local population, which in turn contributes further to the protection of the forest. The harvested timber is processed into sawn timber, planed timber, construction piles, and finished products at the company's own factory. The wood products are exported to Europe, the United States, and Asia as well as being sold on the local market.

### Social and environmental sustainability continues to be at high level

Once again in 2020, Precious Woods Amazon passed the recertification audits for FSC and PEFC with excellent results. Both the PEFC and FSC audits were carried out completely online, which meant additional difficulties for our team and the auditors. We continue to work on several scientific projects to obtain information on forest ecology and to optimize and document our resource-preserving forestry operations. We are also in close and intensive contact with the regional communities, allowing us to undertake useful joint projects. Supporting the local population and businesses through a wide range of development projects continues to be a focus of our social engagement.

In the reporting year we can provide information on the following activities:

- As only the second company in the world to do so, we successfully passed the new FSC Ecosystem Services certification for carbon sequestration. The certificate confirms that the carbon stock in our forests has been stable since 2007 and that about 81 million tonnes of carbon are permanently stored. The certificate proves once again that sustainable forest management is one of the solutions to protect our world's carbon sinks, and we are proud to be part of that solution.
- Together with the military police of Itacoatiara, several operations were again carried out against poaching and illegal logging. This also includes raising awareness in the communities and the training of local scouts who recognise violations and report them directly.
- In cooperation with EMBRAPA (Brazilian Agricultural Research Corporation), we continue to work on projects measuring tree growth and the dynamics of the tree population. This project is being continued, providing valuable analysis data over time for scientific purposes.
- We support various research projects in the field of environment and sustainability in collaboration with INPA (National Institute of Amazonian Research), UFAM (Federal University of Amazonas), EMBRAPA (Brazilian Agricultural Research Corporation), and UEA (Amazonas State

University). In addition to ecological aspects, such as a wildlife inventory or the contribution of trees to the water cycle, economic issues to optimise the use of wood are researched. Certain projects combine both perspectives, for example when road planning is improved and, as a result, less forest area is impacted.

- It continues to be a major priority and endeavour to support and promote the agricultural production of the communities in our region. Last year, we were able to establish a 2-hectare coffee plantation, maintained by the local population with our support.
- Also in Brazil, many training courses had to be postponed due to the pandemic. Nevertheless, thanks to our own trainers and external assistance, we were able to conduct various safety training sessions in the sawmills and in the forest.
- We continue to be active in offering internships and courses for vocational training and development. These programmes are done in partnership with CETAM (Center for Technological Education of Amazonas) and SENAI (National Industrial Learning Service). 35 interns have been able to gain their first work experience with us thanks to these programmes.

### **Outlook for 2021**

We expect a log harvest volume of about 175 000 m<sup>3</sup>. The aim is to further increase production and sales volume. New financing options are being explored to enable the modernisation and subsequent expansion of our sawmill and harvesting area. As a consequence, we expect cost reductions and increased yield. Our ambition is, and remains, to gain a foothold in the local Brazilian market as well with sustainably produced sawn wood products, and we are taking the opportunity to establish ourselves. At the same time, we want to cultivate our long-standing clients and partnerships and intensify and expand our activities in our traditional European, North American, and Asian markets.



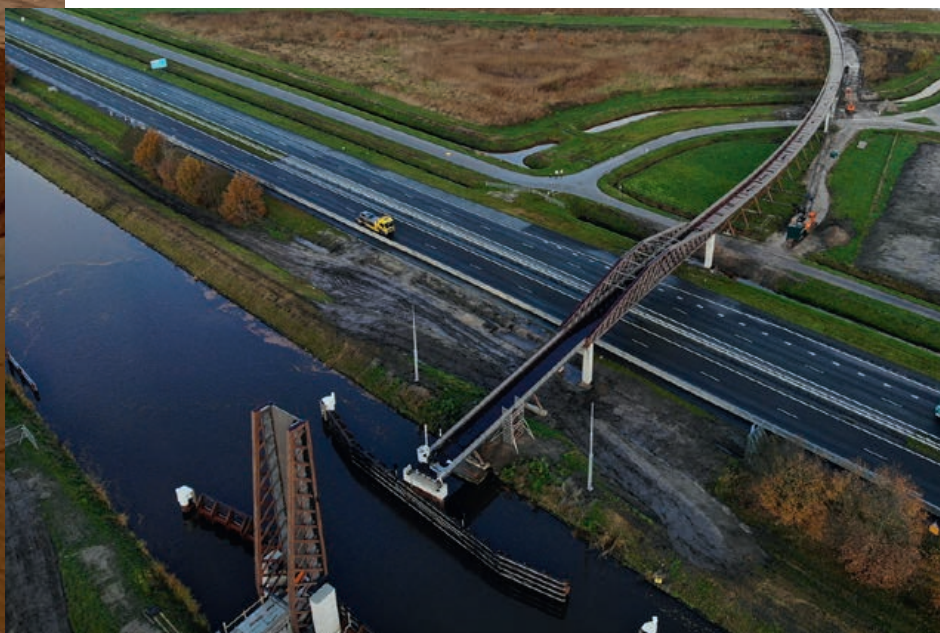
# PW Gabon







*Precious Woods is the pioneer in sustainable forestry in the tropics.*



Picture large: New hardwood sawmill of PW Gabon

Picture small: Reference object from the Netherlands, pedestrian bridge  
"De Blauwe Loper", components made from Azobé

# Precious Woods Gabon – major infrastructural obstacles – new partnership

PW Gabon generated net sales of EUR 31.0 million (previous year: EUR 27.1 million). While this represented an increase of 14.5 % over the previous year, it was below expectations. Earnings before interest, taxes, depreciation and amortization (EBITDA) reached EUR 4.2 million (previous year: EUR 5.0 million). The EBITDA margin was 13.6 % (previous year: 18.5 %). Earnings before interest and taxes (EBIT) amounted to EUR 1.2 million (previous year: EUR 1.7 million). This corresponds to a margin of 3.7 % (previous year: 6.2 %). The decrease in profitability is caused due to a delay in the construction of the new sawmill, price decreases especially in the veneer business and in difficulties in shipments. The increase in sales is in part due to the fact that the internal log sales to our veneer plant are counted as external sales starting in October 2020.

in EUR million	2020	2019	Index	Change
Net Sales	31.0	27.1	114.5 %	+3.9
EBITDA	4.2	5.0	84.4 %	-0.8
EBIT	1.2	1.7	68.9 %	-0.5

## Key figures Environmental in 2020 (2019)



Energy consumption in GJ  
**167 400** (161 100)



Direct CO<sub>2</sub> emissions in t  
**14 200** (14 900)



FSC share of timber  
Production sold in %  
**96** (100)

## Increase in productivity

The harvest volume in 2020 was 250 100 m<sup>3</sup>, an increase of 5.5% over the previous year (237 100 m<sup>3</sup>). The sawmills in Bambidie processed 129 900 m<sup>3</sup> of logs, an increase of 8.1%. Sawn timber production amounted to 44 600 m<sup>3</sup> (previous year: 42 300 m<sup>3</sup>). These positive figures show that we had only few outages due to the Covid pandemic. The safety measures implemented and the inspections carried out by public authorities helped to keep the impact on our operations low. We did, however, suffer from obstacles beyond our control. Firstly, the condition of the roads and the lack of rail capacity prevented us from delivering sawn timber on time. Secondly, a lack of containers, strikes by the public authorities, and the low frequency of container ships with limited capacity impeded handling at the port. This again led to an excessively high inventory of sawn timber at the end of the year. The pandemic and logistics problems also led to delays in the launch of the new hardwood sawmill. Machine parts could not be delivered on time, and travel restrictions prevented the entry of technicians and specialists for an extended period of time. The maintenance work on the existing sawmills could be carried out on schedule, given that we had procured spare parts in time before the lockdown.

In the past, our veneer plant (TGI) repeatedly suffered from the difficult market environment and also from technical problems affecting yield. For these reasons and also because major investments have to be made, we decided to enter into a partnership with the French Groupe Arbor. Groupe Arbor also has veneer production in Gabon and operates plywood board production in France. It is one of the leading suppliers of these products on the European market. Precious Woods is able to ensure the supply of certified logs in Okoumé, and Groupe Arbor complements this with optimal processing and distribution. For this purpose, the two companies in Gabon have merged, and Precious Woods retains a 49% stake in the new company called «Compagnie des placages de la Lowé» (CPL). Notarisation took place at the end of the year but with retroactive effect from 1 October 2020. All sales of CPL are made through the central office of Precious Woods Holding Ltd.

Veneer prices came under strong pressure in 2020 – more than sawn timber prices – due to high inventories of our customers. This, combined with the decrease in yield by 3.3 percentage points in the first nine months of 2020, resulted in a major loss. The merger with our joint venture partner is already showing positive effects, and we are very optimistic for the future.



PW Gabon's total investments in the amount of EUR 4.1 million were used for buildings (EUR 1.3 million), forestry machinery (EUR 0.7 million), homes for employees and their families in Bambidie (EUR 0.5 million), vehicles (EUR 0.6 million), and the sawmills (EUR 1.0 million). Construction of the new sawmill for Azobé sawn timber started in 2019. Operations began with a delay in spring 2020. At the beginning of 2021, we moved to two-shift operations, which will strengthen profitability.

There were some changes in our expatriate management in Bambidie. Overall, however, our employee situation has been very stable. The conditions made more difficult by the lockdown were mastered well, but demanded a lot from our management, especially given that some employees were not able to travel home for months. We would like to take this opportunity to express our warmest thanks to our local management and all our employees for their great dedication.

The VAT credit with the Gabonese government increased again, given that not much could be repaid. The amount is lower overall, because most of the credit relates to the veneer plant. Our investments could be financed with bank loans from local institutions. However, the delays in sales and the increased costs from interruptions in operations again led to a tense liquidity situation. Inventory increased again and tied up cash. We expect the situation to ease but it remains uncertain when this will happen. The various ministries are now working together more closely and trying to find solutions. However, implementation of the measures is facing delays, also due to the pandemic. The fight against corruption continues, which led to individual authorities becoming unable to act or being understaffed in the short term.

### Improvement of profitability despite adversity in the forest and sawmill activities

Although infrastructure problems increased again compared to the previous year, which already massively affected the operation, we did manage to grow profitability in the sawmills. We have learned a lot from our painful experiences in the past and we are now able to react more quickly to these events. The organisation is flexible and can make situational decisions if plans or implementation strategies have to be changed. That we are able to work profitably even in very difficult times makes us look to the future with optimism.

Because of the spin-off of TGI, this section only compares the CEB sawmill – not PW Gabon as a whole – with the previous year's figures. Working capital increased again by EUR 1.9 million, which is due to inventory build-up. Accounts receivable increased by about EUR 0.5 million and accounts payable by EUR 1.1 million. This means that we now have a record amount of tied-up capital in relation to net sales, which puts a heavy strain on liquidity in Gabon. Net debt increased by EUR 3.0 million over the previous year.

### Many activities despite major challenges

FSC and PAFC recertification audits for forestry management and for chain of custody (CoC) were carried out successfully at our two sites in Bambidie and Owendo. The CoC audit was performed online due to travel restrictions, which was a particular challenge for both our team and the auditors. With this continued high level and our dual certification, we remain the pioneering company in sustainable forest management in the tropics.

## Key figures Economic in m<sup>3</sup> 2020 (2019)



Sales sawn and industrialized wood  
**39 000** (32 100)



Sales logs  
**53 900** (67 900)



Sales rotary veneer  
**20 000** (20 900)



Harvest volume  
**250 100** (237 100)

## Key figures Social in 2020 (2019)



Employees  
**858** (893)



Women in %  
**7.2 %** (8.1%)



Men in %  
**92.8 %** (91.9%)



Accidents at work  
**96** (99)



Days lost per accident  
**9.1** (7.8)

In addition to our certification activities, our projects in the past year included the following:

- At the beginning of the school year, we carried out another school supplies campaign. School supplies procured in large quantities were given to the children of our employees at reduced prices, enabling them to start school successfully.
- In cooperation with the ministry responsible for forestry and the NGO Conservation Justice, a joint wildlife protection project was implemented. Forestry ministry employees stationed in Bambidie regularly patrol our forest to prevent poaching and to protect wildlife. The project has already had considerable success, underscoring the importance of this partnership.
- The launch of our new sawmill created 50 new jobs. To accommodate this increase, we have also expanded the infrastructure in Bambidie and built a new neighbourhood with 50 homes for these employees and their families in our camp. We have also enlarged our health clinic and built additional classrooms for the primary school and kindergarten, as well as homes for additional teachers.
- The P3FAC-AFRITIMB research project was continued. The goal of this project is to study forest dynamics in the Congo Basin and to better understand those dynamics in the context of sustainable forest management. In order to provide researchers with reliable reference data, we have excluded one zone from forest management for this purpose. We also actively supported more than 10 other research projects.
- Again in 2020, permanent test areas also provided data to the AfriTRON and RAINFOR projects, which research forest dynamics and forests as carbon reservoirs at the global level.
- We had the pleasure of welcoming a delegation from the ministry responsible for forestry, which is working on implementation of a nationwide project to reduce carbon emissions and preserve carbon reservoirs in the forest. Due to our experience in resource-preserving forest management, Precious Woods-CEB was chosen to test the new system for the first time.
- Because of the pandemic, external training had to be reduced to a minimum. Nevertheless, we were able to conduct numerous training sessions for our logging teams with internal experts. The goal is to perfect the knowledge and skills of our employees in reduced impact logging.
- The cultural offerings and activities of the Centre Culturel were also impaired, but some activities could still be carried out. For example, volunteers made a variety of cloth face masks for our employees.



### **Precious Woods Gabon in brief**

PW Gabon consists of two companies: CEB (Compagnie Equatoriale des Bois) and TGI (Tropical Gabon Industrie). Since 2007, PW Gabon has been managing a tropical forest in Eastern Gabon across a concession area of 596 800 hectares. In 2014, a protected area of 19 900 hectares was separated out. Starting in October 2020, the veneer company (TGI) was spun off and TGI now holds a stake of 49% in Compagnie des placages de la Lowé (CPL). CEB employs 858 persons and CPL about 200. Each year, approximately 240 000 cubic meters of logs are harvested. The company operates according to a sustainable forest management plan that ensures that no more timber is harvested per hectare than will grow back within a harvest cycle of 25 years. PW Gabon runs two sawmills and a small moulding plant in Bambidie, the centre base of PW Gabon's forestry operation. The CPL rotary veneer factories for Okoumé veneer and selected hardwoods are located in Owendo, a suburb of the port city Libreville. The main export markets for PW Gabon's manufactured timber products are Europe, South Africa, and Asia. PW Gabon's forestry operation has been FSC-certified since October 2008 and the veneer chain of custody since January 2010. The forestry operation has also been PAFC-certified since 2017. Both operations were PAFC-certified for CoC in 2018.

### **Outlook for 2021**

The new sawmill for hardwood began two-shift operations, which will lead to an increase in production at the same fixed costs. Further improvements in production processes are being made, which will reduce costs. Harvest volumes are likely to be similar to 2020, but yields are expected to be significantly higher. We expect the delivery situation to improve, which will then increase liquidity. Market prices have improved significantly since February 2021, and we can take advantage of the effects early thanks to a low order backlog. The use and further processing of biomass continues to be a major priority and will receive even more attention in the longer term. We have received assurances that we can continue the next rotation in our concessions starting in 2025. We are therefore starting to focus on an energy plant and other alternative uses of waste wood from the sawmill.

We expect higher margins, provided that no further setbacks or delivery delays occur due to the pandemic or other unexpected events. The new forestry law is expected to be passed in the second half of the year 2021 at the latest. Investments in the value chain are being considered and, where appropriate, cooperation arrangements with other local companies are being formed. The government of Gabon has decided that only certified companies will be allowed to acquire concessions in the future, which will certainly offer us further opportunities to expand our business model.



# PW Trading



Picture: Image from a mixed forest of Germany



# Precious Woods Trading – Decline in demand and sales

Trading in logs and sawn timber from Europe complements the current product range of Precious Woods and expands our knowledge in the sales and procurement market. It supplements our core business, namely the processing and trading of tropical sawn timber and veneer from Brazil and Gabon.

Net sales from the trading business in the 2020 reporting year amounted to EUR 2.5 million, corresponding to a decrease of 36.6 % from the previous year (2019: EUR 3.9 million).

in EUR million	2020	2019	Index	Change
Net Sales	2.5	3.9	63.4%	-1.4
EBITDA	-0.4	0.1	-426.5%	-0.5
EBIT	-0.4	0.1	-426.5%	-0.5

The main sales market for our traded products is China. The demand for our products reduced sharply in 2020. The oversupply put pressure on prices, so that this business was no longer profitable for us. Even though it is difficult to assess future developments, we did notice at the beginning of 2021 an increased demand, which can offer us some opportunities. Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR -0.4 million. The EBITDA margin was -16.9% (previous year: 2.5%).

For Precious Woods, trading activities in Europe are strategically important, because this activity secures expertise in the sales and procurement market and creates synergies with our other business areas in production. The challenge will be to apply the insights specifically to our operations in Africa and Brazil and to use them for the benefit of our customers or of product developments. In future, the range of products will also be supplemented by the sale of tropical timber from other FSC-certified operations in Central and South America. Some of these projects are carried out by local communities, in which cooperation with the environmental organization Rainforest Alliance is sought or already in the implementation phase.

## Precious Woods Trading in brief

After the decision to close PW Europe, the administration of that company was taken over by PW Holding in Zug from 2014, and goods were delivered directly from the production plants in Brazil and Gabon.

In 2014, activities were expanded to include the trading of certified European logs and sawn timber. This now complements our diverse range of products.

## Key figures Environmental in 2020 (2019)



Direct CO<sub>2</sub> emissions in t  
**0.2** (0.3)



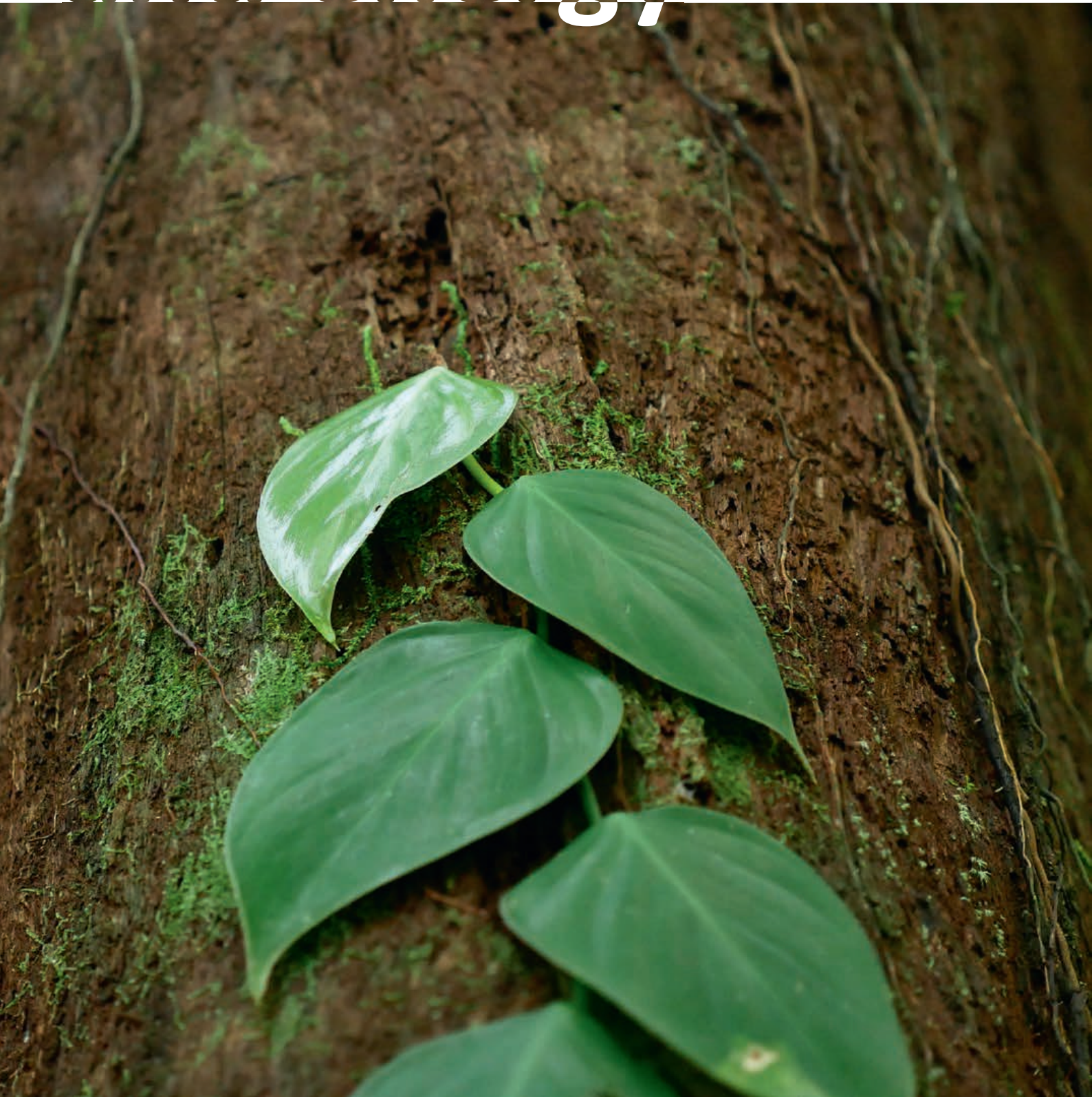
PEFC share  
Sold in %  
**100** (100)

## Key figures Economic in m<sup>3</sup> 2020 (2019)



Sales logs and sawn wood  
**12 300** (16 600)

# Carbon and energy



Picture: Image from the forests of Brazil



# Carbon & Energy – trading in CER emission certificates

**30 478 emission certificates were sold in 2020, paid out on the basis of the 2018 figures. The market prices for the certificates are very low and due to the market development no major sales can be expected.**

## Emission certificates thanks to residual wood in Brazilian

BK Energia's 9-megawatt power plant in Brazil supplies the households of the neighbouring city of Itacoatiara with electricity. The production site of Precious Woods Amazon also requires around 2 MW. All of the power plant's electricity (heat for wood seasoning and electrical energy) is generated from the residual wood of the PW Amazon sawmill, i.e., renewable biomass.

BK Energia not only produces electricity and steam or heat. Our activities resulted in a total of 34 867 tons of CO<sub>2</sub> equivalents in 2020 and 39 269 tons in 2019, which can be counted towards carbon reduction and thus contribute to global climate protection. However, the amount of 2019 that can be offset will not be reflected in the figures until 2021, given that the proceeds will be received with a time delay.

The biomass power plant in Itacoatiara remains very important for Precious Woods: firstly, from an operational perspective (inexpensive electricity and heat supply); secondly due to the opportunity to sell residual wood from timber harvesting and the sawmill; and thirdly because complete utilization of the harvested wood makes an important contribution to avoiding CO<sub>2</sub> emissions and can therefore replace heat and power generation using fossil fuels.

## Emission trading together with myclimate

This small-scale project was the first worldwide that generated emission certificates on the basis of sustainably harvested biomass from FSC-certified forestry activities. The woodchip power plant with 9 MW of electric output is located on the site of the sawmill of Precious Woods in Itacoatiara. Precious Woods owned 40% of the shares as at 31 December 2020.

The plant produces up to 45 000 MWh of electricity each year, for which otherwise about 10-15 million litres of diesel would be consumed. This replaces several diesel generators

and provides the neighbouring city's approximately 100 000 inhabitants with climate-friendly power. Thanks to the power plant, the local population benefits from lower energy prices and stable energy supply (fewer outages and transport losses). The waste heat generated during electricity production is used for the sawmill's wood seasoning plants.

**"A complete and sensible use of the harvest volume makes a crucial contribution to sustainability."**

*Precious Woods*

For the production of this electrical and thermal power, about 100 000 tons of wood are required each year. This residual wood is delivered in the form of wood cuttings and sawdust from the sawmill. All this biomass comes from sustainable forestry in accordance with FSC guidelines. Prior to start-up of the plant, this residual wood was rotting in large piles on the property or in the forests. The sustainable use of the residual wood reduces emission of the greenhouse gases CO<sub>2</sub> and methane.

## Precious Woods Carbon & Energy

The Precious Woods business segment Carbon & Energy comprises trade in CERs and shares of a power plant fuelled with residual wood. Starting in 2005, Precious Woods operates a biomass power plant in Itacoatiara, Brazil, that had been in operation since 2002. Effective 1 April 2012, Precious Woods sold 40% of its shares in the biomass plant and consequently reduced its stake from 80% to 40%. The sawmill of PW Amazon is still the sole biomass supplier of the plant. The plant is listed as a climate-relevant project also because diesel was replaced by biomass and thus renewable energy. The project complies with the Clean Development Mechanism (CDM) of the Kyoto Protocol. The resulting emission certificates have been traded since 2011 by the myclimate<sup>1</sup> foundation on behalf of Precious Woods.

<sup>1</sup> myclimate is a Switzerland-based organization set up in 2002 to provide environmentally responsible solutions to individuals and companies. [www.myclimate.org](http://www.myclimate.org)

# Corporate Governance





*Precious Woods has a strong, responsible corporate culture in sustainable forestry, which allows the unhesitating use of tropical timber for beautiful buildings.*



Picture large and small: Reference object in Nieuwege (NL), Warehouse,  
Cladding made of Louro Gamela

# Corporate Governance

**Clearly defined lines of responsibility and a high degree of transparency are vital factors in the success of Precious Woods' efficient business management and strong, responsible corporate culture. We believe that by embracing the principles of corporate responsibility we are benefiting all stakeholder groups of Precious Woods: shareholders, employees, customers, suppliers and communities.**

The following Corporate Governance Report is based on the Corporate Governance Directive of the SIX Swiss Exchange. To avoid repetition, some sections contain cross-references to other chapters in this Annual Report and to Precious Woods' website ([www.preciouswoods.com](http://www.preciouswoods.com)). The following abbreviations are used:

BoD = Board of Directors  
GM = Group Management

## 1. Group structure and shareholders

Precious Woods consists of four operational business segments: sustainable forestry in Brazil, sustainable forestry in Gabon, Trading and Carbon & Energy. For more information about the individual segments, please refer to pages 22 to 35 of the Annual report.

Precious Woods Holding Ltd was the only listed company within the Group. The delisting from the SIX Swiss Exchange took place on 9 August 2013. Precious Woods Holding Ltd has its headquarters in Zug. More information about Precious Woods' shares can be found on page 45 of this report. For more detailed information about the holding company and the direct subsidiaries (name, headquarters, share capital and percentage ownership), please refer to note 1 and 4 of the Financial Statements of PW Holding. A

list of shareholders with more than 3% of the voting rights can be found in note 23 of the Consolidated Group Financial Statements. There are no cross-shareholdings or shareholders' agreements. Further information on shareholders is published on our website (Investor Relations – Share information) and on the website of the OTC ZKB platform.

## 2. Capital structure

The ordinary share capital on 31 December 2020 stood at CHF 7 052 745 (7 052 745 registered shares at CHF 1.00 each).

Since 18 May 2017, the conditional share capital amounted to CHF 1 396 638 (1 396 638 shares with a nominal value of CHF 1.00 each) in accordance with Article 3a of the Articles of Association. No change occurred in 2020. As of 31 December 2020, the conditional capital amounts to CHF 1 396 638 (1 396 638 shares with a nominal value of CHF 1.00 each).

On 16 May 2019, the Annual General Meeting approved an authorized share capital of CHF 1 000 000 (1 000 000 shares with a nominal value of CHF 1.00 each). The BoD is thus authorized to increase the share capital at any time until 15 May 2021 by a maximum amount of CHF 1 000 000 by way of issuance of no more than 1 000 000 registered shares that are to be fully paid in with a nominal value of CHF 1.00 each. In 2020, no capital increase from authorized share capital was executed. On 31 December 2020, the amount of the authorized capital is CHF 1 000 000 in shares (1 000 000 shares with a nominal value of CHF 1.00 each) and expires on 15 May 2021. The authorized share capital shall be renewed at the forthcoming general assembly. More information about the capital structure can be found in note 22 of the Consolidated Group Financial Statements.

On October 2020, one loan of CHF 1.0 million with maturity until April 2021 was obtained.



### 3. Board of Directors

The BoD is responsible for strategy and organizational development and supervises and controls the operational management. It defines the Group's business principles and keeps itself regularly informed about the company's business performance. The BoD is authorized to make decisions on all matters that are not reserved for the Annual General Meeting or are conferred to another governing body of the company by law, the Articles of Association or other regulations.

The members of the BoD of Precious Woods contribute experience and expertise from a wide range of different fields and have both the skills and the time required, to ensure that they can critically and constructively engage with the GM and are able to form independent opinions. Members of the BoD are elected by the Annual General Meeting for a term of one year.

The BoD is a self-constituting body and appoints the Chair from among its own members for a term of one year. After reaching one's 70th birthday, the respective member of the BoD will step down from its post at the company's next Annual General Meeting. At the Annual General Meeting on 14 May 2020 the re-elections of Katharina Lehmann, Markus Brüttsch, Jürgen Blaser and Robert Hunink lined up. They were re-elected for a year on a proposal from BoD. The composition of the BoD is as follows on 31 December 2020: Katharina Lehmann (Chairwoman), Markus Brüttsch (Delegate), Jürgen Blaser (Member), and Robert Hunink (Member).

#### Members of the Board of Directors

The Precious Woods BoD has four members. The following statement about the members of the BoD and their activities at Precious Woods and cross-involvements represents the situation on 31 December 2020.

Additional information about the members of the BoD can be found in their profiles on our website (Investor Relations – Corporate Governance)



**Katharina Lehmann** (lic. oec. HSG)

Swiss citizen, born in 1972

Chairwoman since 18 May 2017

BoD member since 2008, mandate ends in 2021

#### Other activities and interests:

- Since 1996 Chair of the Board of Directors and Delegate of the companies that make up Erlenhof AG, i.e. Lehmann Holzwerk AG and Blumer-Lehmann AG
- BoD member of Frutiger AG, Thun
- BoD member of Blumer Techno Fenster AG, Waldstatt
- Board member of Industrie- und Handelskammer (IHK), St. Gallen/Appenzell
- Chairwoman of Association Senke Schweizer Holz (SSH)

« Working in an economically sustainable way remains the precondition for our social and ecological activities. »



**Markus Brüttsch**

Swiss citizen, born in 1960

BoD member (Delegate) since 2017, mandate ends in 2021

**Other activities and interests:**

- CEO/CFO of Precious Woods Holding Ltd since January 2014
- Executive Chairman of BoD of Oro de Cacao Ltd. since August 2019

« *The COVID-19 pandemic has drastically shown how important the protection of natural forests and habitats is for human health. This interrelationship has to become better known and understood.* »



**Jürgen Blaser**

Swiss citizen, born in 1955

BoD member since 2015, mandate ends in 2021

**Other activities and interests:**

- Professor of International Forestry and Climate Change at University of Applied Sciences, Agricultural, Forest and Food Sciences
- Global Advisor on Tropical Forests, especially for the World Bank Group

« *It is the pursuit towards comprehensive sustainability – economically, ecologically and socially – that distinguishes Precious Woods even in difficult times and guarantees long-term success.* »





#### **Robert Hunink**

Dutch citizen, born in 1953

BoD member since 2015, mandate ends in 2021

#### **Other activities and interests:**

- Former President of ATIBT (Association Technique Internationale des Bois Tropicaux), until October 2019

« *The global COVID-19 pandemic has of course not left Precious Woods unaffected. Under often very challenging circumstances, the entire team, production – sales – administration, has shown great understanding, adaptability and perseverance while continuing to respect our core values.* »

#### **Committees of the Board of Directors**

The committee meetings have been integrated with in the regular BoD meetings, due to the small size of the BoD no separate committee meetings are taking place.

The whole Board of Directors monitors the concordance between budgets, finances and organization, examines the interim statements and the Annual Financial Report as well as the budget and oversees the relations with the external auditors. It is also the responsibility of the whole BoD to ensure the monitoring of the internal control system (IKS) and risk-management procedures as well as overseeing the processes for compliance with legal and regulatory requirements.

Katharina Lehmann is leading for strategy questions and shareholders' relations, thus for the topics that were previously assigned to the Remuneration & Nomination Committee (RNC) within the Board of Directors. The whole Board of Directors ensures adequate terms and conditions of engagement for GM and the senior executives of the subsidiaries; it evaluates new members of the BoD and GM, determines remuneration guidelines and oversees corporate governance.

The BoD met a total of twelve times during 2020. Each meeting lasted between two and eight hours. The BoD keeps itself informed of business matters by means of consolidated, periodic, operational and financial reports. All relevant documents are made available to the BoD on a regular and timely basis. Chairman and Delegate of the board/CEO/CFO realized interim meetings and visited the local management in Gabon and Brazil regularly.

Further information about the decision-making process as well as the areas of responsibility and control mechanisms can be found in the bylaws, which are published on Precious Woods' website (Investor Relations – Corporate Governance).

#### 4. Group Management

The GM under the leadership of the CEO is responsible for the operational management of the company. The organization, roles and responsibilities of the GM and its members are defined in the bylaws, which are set by the BoD. More information is available on the website (Investor Relations – Corporate Governance).

Additional information about the members of the GM can be found in their profiles on the Precious Woods website (Investor Relations – Corporate Governance).

**In the reporting year, the GM consisted of the members:**



**Markus Brüttsch**

Swiss citizen, born 1960

- Since January 2014, CFO of Precious Woods Group
- In July 2014, additionally CEO of Precious Woods Group
- Before CFO at Cicor Group and Winterthur Technology Group



**Stéphane Glannaz** (Master in Marketing and Intl. Business)

French and Swiss citizen, born in 1972

- Since 1 October 2013, CCO of Precious Woods Group
- Before vice-president of Olam Intl. Ltd. Singapore, Timber Division and Head of Marketing and Sales

« Sadly, the world had to experience the COVID crisis to realize how much we need fast and pragmatic actions to protect our biodiversity and particularly the rainforest. Several markets are finally realizing Precious Woods products and services strong contribution in those fields opening the door to a lot of opportunities of development. »

« I'm convinced that, with the strategic partnership successfully concluded in Gabon in the reporting year, our Group has taken an important step towards meeting the future challenges of certified sustainable forest management and the requirements of our customers. »



## 5. Compensation, shareholdings, loans

Employment contracts and the “Compensation Regulations for the Board of Directors of PWH” provide the framework for the compensation and stock option plans of the BoD, GM and the senior managers of the subsidiaries. In the case of services provided by members of the BoD in request of the company that are clearly outside the usual scope of Board activities, compensation is determined by the Board of Directors. Members can be compensated for their individual activities on the basis of effective time invested. Decisions regarding compensation and shareholdings for BoD and GM are made annually on the basis of the Compensation Regulations for the BoD based on market criteria.

The regulations mentioned as well as a detailed list of compensation granted to the members of the BoD and GM can be found on the website (Investor Relations – Corporate Governance), in note 25 of the Consolidated Group Financial Statements and in note 7 of the Financial Statement of PW Holding. All management personnel and employees are insured in accordance with the minimum legal requirements of the countries in which they are employed.

In 2020, no leave settlements, loans or other benefits have been granted to any of the members of the governing bodies.

No cash compensation, shares, options, loans or other payments are made to former governing body members. A list of shares held by members of the BoD can be found on the website (Investor Relations – Corporate governance) and in note 7 of the Financial Statements of PW Holding.

## 6. Shareholders’ rights of participation

Shareholders of Precious Woods enjoy all the rights to which they are entitled to without any statutory restrictions on voting rights. There are also no clauses differing from the legal provisions regarding statutory quota. All shareholders entered in the share register four weeks before the Annual General Meeting are eligible to participate in the Annual General Meeting. No changes affecting voting rights are made to the share register after the mailing of invitations to the Annual General Meeting. Requests to add items to the agenda of the Annual General Meeting can be made up to 30 days before the ordinary Annual General Meeting. Due to

the Covid-19 pandemic, the Annual General Meeting was held on 14 May 2020 with shareholders excluded. Shareholders were able to have their voting rights represented and exercised by the independent proxy. All statutory items on the agenda were approved. The minutes of the Annual General Meetings are published on the website (Investor Relations – Annual General Meeting).

## 7. Changes of control and defense measures

The agreements with the members of the BoD and GM contain no statutory “opting-out” or “opting-up” clauses or clauses on changes of control with the following exception: The CEO/CFO Markus Brüttsch has a change of control clause in the employment contract defining a half-year salary in addition to the notice period.

## 8. Auditor

The Annual General Meeting selects an external auditor that possesses the independence and professional qualifications as stipulated by law for the term of one fiscal year. Procedures and subject of the audit are in accordance with legal provisions. Since the reporting year 2010 Ernst & Young, Zurich, has assumed the role of Group auditor. The auditing fees paid to Ernst & Young for auditing the accounts of PWH, the Group and the companies worldwide amounted to EUR 201 680 in 2020. Ernst & Young also received an additional EUR 77 213 in non-audit services in 2020. Ernst & Young audited the relevant subsidiary companies. The Board of Directors monitors the efficiency and effectiveness of the external audit. Detailed information can be found in the by-laws, which are published on our website (Investor Relations – Corporate Governance).

## 9. Information policy

Precious Woods pursues a pro-active and transparent information policy. Shareholders of the company are informed regularly about current affairs through the Annual Report and the Half-Year Report. Precious Woods maintains an informative website ([www.preciouswoods.com](http://www.preciouswoods.com)), which is updated on a regular basis.

Further information can be obtained from Communications (phone +41 41 726 13 16 or [media@preciouswoods.com](mailto:media@preciouswoods.com))

# Information





# Shareholder information

## Share capital

On 31 December 2020, the fully paid-in share capital of PW Holding amounted to CHF 7 052 745. It is divided into 7 052 745 registered shares with a nominal value of CHF 1.00 each. Additionally, the company has conditional capital of CHF 1 396 638 and authorized capital of CHF 1 000 000 to cover option and conversion rights. Further information on the share capital can be found in note 1 to 3 to the 2020 financial statements of Precious Woods Holding.

## Equivalent to 100 shares

Precious Woods is owner or concession holder of 506 699 hectares of forest in Brazil, and manages a forest concession in Gabon of 596 800 hectares. With the purchase of 100 shares, a shareholder had indirectly access to around 71 844 square meters of forests (2019: 71 844 square meters) in the Amazon and 84 620 square meters of forests (2019: 84 620 square meters) in Gabon in 2020.

## Stock market listing

The shares of PW Holding were listed on the SIX Swiss Exchange in Zurich between 18 March 2002 and 9 August 2013. Since 12 August 2013 the shares are traded on the OTC ZKB platform.

Stock type: registered share  
Nominal value: CHF 1.00  
Security number: 1 328 336  
ISIN: CH0013283368

## Share register information

(Entries, transfers, changes of address, etc.)  
ShareCommService AG  
Europastrasse 29  
CH-8152 Glattbrugg  
Phone +41 44 809 58 58  
Fax +41 44 809 58 59  
preciouswoods@sharecomm.ch

## Company headquarters

Precious Woods Holding Ltd  
Untermüli 6  
CH-6300 Zug  
Phone +41 41 726 13 13  
Fax +41 41 726 13 19  
www.preciouswoods.com  
office@preciouswoods.com

## Stock price development

At the beginning of 2020, the share price was quoted at CHF 8.30 on the OTC ZKB platform. The share price rose steadily in 2020. In the months of June, July and August 2020, the share price recorded highs of CHF 10.00. The closing price of the share on 31 December 2020 was at CHF 9.60.

### Information for investors

		2016	2017	2018	2019	2020
Share price per 31.12.	in CHF	6.00	6.50	8.00	8.30	9.60
Stock market capitalization	in CHF million	41	46	56	59	68
Basic earnings per share	in EUR	-0.43	0.23	-0.24	1.13	-0.31
Equity (book value) per share	in EUR	2.82	2.85	2.25	7.81	5.57

### Assets per share

Primary forest in Brazil (ownership and concession)	in m <sup>2</sup>	734	718	718	670	718
Primary forest in Gabon (concession)	in m <sup>2</sup>	865	846	846	846	846





592482  
MILMAD



# Precious Woods Group financial statements

<b>48</b>	Consolidated statement of profit or loss
<b>49</b>	Consolidated statement of comprehensive income
<b>50</b>	Consolidated statement of financial position
<b>51</b>	Consolidated statement of changes in equity
<b>52</b>	Consolidated statement of cash flows
<b>53</b>	Notes to the consolidated financial statements
<b>53</b>	1. Basis of presentation, consolidation and general accounting policies
<b>54</b>	2. Financial risk management
<b>57</b>	3. Financial information by segment
<b>59</b>	4. Revenue from contracts with customers
<b>59</b>	5. Consumables used and other production costs
<b>59</b>	6. Labour costs
<b>60</b>	7. Other operating income and expenses
<b>60</b>	8. Depreciation, amortization and impairment
<b>60</b>	9. Financial income and expenses
<b>61</b>	10. Property, plant and equipment
<b>63</b>	11. Biological assets
<b>65</b>	12. Intangible assets
<b>66</b>	13. Investment in associates
<b>69</b>	14. Non-current loans and investments
<b>70</b>	15. Inventories
<b>70</b>	16. Prepayments
<b>71</b>	17. Trade and other receivables
<b>72</b>	18. Trade and other payables
<b>72</b>	19. Financial liabilities, other than trade and other payables
<b>74</b>	20. Financial instruments by category and fair value hierarchy
<b>75</b>	21. Leasing
<b>77</b>	22. Share capital
<b>77</b>	23. Major shareholders
<b>78</b>	24. Earnings per share
<b>78</b>	25. Related party balances and transactions
<b>79</b>	26. Provisions
<b>80</b>	27. Contingencies
<b>80</b>	28. Income taxes
<b>82</b>	29. Employee benefits
<b>85</b>	30. Currency translation rates
<b>85</b>	31. Basis of consolidation
<b>86</b>	32. Subsequent events
<b>86</b>	33. Approval of financial statements and dividends
<b>87</b>	Report of the statutory auditor on the consolidated financial statements

# Consolidated statement of profit or loss

in thousand EUR	Notes	2020	2019
<b>Revenues</b>	4	<b>46 186</b>	<b>44 380</b>
Gain/(loss) from changes in fair value from biological assets	11	927	13 455
Changes in inventories		–1 065	1 796
Raw materials		–4 374	–2 835
Consumables used	5	–9 892	–10 960
Other production costs	5	–4 769	–5 093
Labour costs	6	–19 131	–20 741
Other operating expenses	7	–3 393	–2 757
Other operating income	7	1 634	767
Share of profit/(loss) of associates	13	–354	438
<b>Earnings before interest, tax, depreciation and amortization (EBITDA)</b>		<b>5 769</b>	<b>18 450</b>
Depreciation, amortization and impairment	8	–3 882	–4 494
<b>Earnings before interest and tax (EBIT)</b>		<b>1 887</b>	<b>13 956</b>
Financial income	9	191	640
Financial expenses	9	–3 148	–2 985
<b>Earnings before tax (EBT)</b>		<b>–1 070</b>	<b>11 611</b>
Income tax (expenses)/income	28	–1 111	–3 638
<b>Net profit/(loss) for the period</b>		<b>–2 181</b>	<b>7 973</b>
<b>Allocation of net (loss)/profit:</b>			
Equity owners of Precious Woods Holding Ltd		–2 173	7 988
Non-controlling interests		–8	–15
<b>Basic earnings per share</b>	24	<b>–0.31</b>	1.13
<b>Diluted earnings per share</b>	24	<b>–0.31</b>	1.13



## Consolidated statement of comprehensive income

in thousand EUR	Notes	2020	2019
<b>Net profit/(loss) for the period</b>		<b>-2 181</b>	<b>7 973</b>
Defined benefit plans			
Remeasurement	29	307	-258
Tax effect on remeasurement		-37	24
Land revaluation			
Change in fair value	10	-	42 669
Tax effect on change in fair value		-	-14 226
<b>Items that will not be reclassified to profit or loss</b>		<b>270</b>	<b>28 209</b>
Currency translation effects, net of tax		-13 884	3 067
<b>Items that may be reclassified subsequently to profit or loss</b>		<b>-13 884</b>	<b>3 067</b>
<b>Total other comprehensive income/(loss) for the period</b>		<b>-13 614</b>	<b>31 276</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>-15 795</b>	<b>39 249</b>
<b>Attributable to:</b>			
Equity owners of Precious Woods Holding Ltd		-15 787	39 278
Non-controlling interests		-8	-29

# Consolidated statement of financial position

in thousand EUR	Notes	31 December 2020	31 December 2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		2 778	2 578
Trade and other receivables	17	11 523	10 778
Inventories	15	12 118	16 807
Prepayments	16	596	534
<b>Total current assets</b>		<b>27 015</b>	<b>30 697</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	61 600	77 083
Right-of-use assets	21	3 415	3 249
Biological assets	11	10 162	13 158
Intangible assets	12	2 650	3 514
Investments in associates	13	3 340	1 066
Non-current loans and investments	14	390	25
Other non-current assets		548	804
Recoverable taxes		323	480
<b>Total non-current assets</b>		<b>82 428</b>	<b>99 379</b>
Assets held for sale		–	1 000
<b>Total assets</b>		<b>109 443</b>	<b>131 076</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	18	14 803	14 115
Current income tax payables	28	697	295
Current loans, interest payables and legal liabilities	19	4 294	8 213
Current lease liabilities	21	1 108	776
<b>Total current liabilities</b>		<b>20 902</b>	<b>23 399</b>
<b>Non-current liabilities</b>			
Non-current loans, interest payables and legal liabilities	19	38 044	33 822
Non-current lease liabilities	21	1 242	1 397
Deferred tax liabilities	28	6 214	12 928
Non-current provisions	26	3 732	4 426
<b>Total non-current liabilities</b>		<b>49 232</b>	<b>52 573</b>
<b>Equity</b>			
Share capital	22	5 731	5 731
Additional paid-in capital		64 938	64 938
Revaluation surplus on land	10	28 457	28 457
Foreign currency translation reserve		–5 483	8 401
Retained earnings		–54 422	–52 519
<b>Equity attributable to owners of Precious Woods Holding Ltd</b>		<b>39 221</b>	<b>55 008</b>
<b>Non-controlling interests</b>		<b>88</b>	<b>96</b>
<b>Total shareholders' equity</b>		<b>39 309</b>	<b>55 104</b>
<b>Total liabilities and shareholders' equity</b>		<b>109 443</b>	<b>131 076</b>



## Consolidated statement of changes in equity

in thousand EUR	Attributable to equity holders of Precious Woods Ltd						Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Revaluation surplus on land	Currency translation effects	Retained earnings	Total		
<b>Balance 1 January 2019</b>	<b>5 731</b>	<b>64 938</b>	<b>–</b>	<b>5 334</b>	<b>–60 273</b>	<b>15 730</b>	<b>125</b>	<b>15 855</b>
Net profit/(loss) for the period	–	–	–	–	7 988	<b>7 988</b>	–15	<b>7 973</b>
Other comprehensive income/(loss) for the period	–	–	28 457	3 067	–234	<b>31 290</b>	–14	<b>31 276</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>–</b>	<b>–</b>	<b>28 457</b>	<b>3 067</b>	<b>7 754</b>	<b>39 278</b>	<b>–29</b>	<b>39 249</b>
<b>Balance 31 December 2019</b>	<b>5 731</b>	<b>64 938</b>	<b>28 457</b>	<b>8 401</b>	<b>–52 519</b>	<b>55 008</b>	<b>96</b>	<b>55 104</b>
Net profit/(loss) for the period	–	–	–	–	–2 173	<b>–2 173</b>	–8	<b>–2 181</b>
Other comprehensive income/(loss) for the period	–	–	–	–13 884	270	<b>–13 614</b>	–	<b>–13 614</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–13 884</b>	<b>–1 902</b>	<b>–15 787</b>	<b>–8</b>	<b>–15 795</b>
<b>Balance 31 December 2020</b>	<b>5 731</b>	<b>64 938</b>	<b>28 457</b>	<b>–5 483</b>	<b>–54 422</b>	<b>39 221</b>	<b>88</b>	<b>39 309</b>

# Consolidated statement of cash flows

in thousand EUR	Notes	2020	2019
<b>Net cash flow from operating activities</b>			
Profit/(loss) for the period		-2 181	7 973
Income taxes (income)/expenses	28	1 111	3 638
Interest expenses	9	2 747	2 509
Dividend income from non-current assets	9	-119	-42
<b>Profit/(loss) for the period before interest and tax</b>		<b>1 558</b>	<b>14 078</b>
Depreciation, amortization and impairment	8	3 882	4 494
Value adjustment on non-current financial assets		-	-576
(Profit)/loss on sale of non-current assets	3	62	-495
Gain recognized on contribution of net assets into associate	7	-1 368	-
Share of (profit)/loss of associates	13	354	-438
Disposal of financial liabilities as a result of forgiveness		-	-66
Changes in provisions	26	186	-560
Increase obsolescence reserve on inventories	15	900	1 235
Change in fair value of biological assets	11	-927	-13 455
Other non-cash items		-87	-73
<b>Operating cash flow before working capital changes</b>		<b>4 560</b>	<b>4 143</b>
Decrease/(increase) in trade and other receivables	17	-5 973	943
Decrease/(increase) in inventories	15	-382	-3 210
Decrease/(increase) in prepayments and assets held for sale		824	812
Increase/(decrease) in trade payables and other liabilities	18	7 112	1 288
Income tax (paid)/received	28	-273	-170
<b>Net cash flow operating activities</b>		<b>5 868</b>	<b>3 806</b>
<b>Cash flow from investing activities</b>			
Purchase of intangible assets	12	-125	-53
Proceeds from sale of property, plant and equipment	7, 10	33	950
Purchase of property, plant and equipment	10	-3 994	-5 691
Issuance of financial assets to associates		-291	-
Proceeds from disposal of other non-current assets		342	27
Purchase of other non-current assets		-260	-161
Increase/(decrease) in recoverable taxes		-	-23
Dividends from associates	13	138	259
Dividends from non-current financial assets	9	119	42
<b>Net cash flow investing activities</b>		<b>-4 038</b>	<b>-4 650</b>
<b>Cash flow from financing activities</b>			
Proceeds from borrowings	19	2 141	7 796
Repayment of borrowings	19	-1 270	-5 668
Interests paid	19	-1 492	-1 426
Interests paid on lease liabilities	19, 21	-127	-65
Repayment of lease liabilities	19, 21	-815	-86
<b>Net cash flow financing activities</b>		<b>-1 563</b>	<b>552</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>267</b>	<b>-292</b>
<b>Cash and cash equivalents, at the beginning of the year</b>		<b>2 578</b>	<b>2 798</b>
Increase/(decrease) in cash and cash equivalents		267	-292
Translation effect on cash		-67	72
<b>Total Cash and cash equivalents, at the end of the year</b>		<b>2 778</b>	<b>2 578</b>



# Notes to the consolidated financial statements

## 1. Basis of presentation, consolidation and general accounting policies

### Basis of presentation

Precious Woods Group (hereinafter referred to as “Precious Woods” or “the Group”) is one of the leading companies in sustainable management of tropical forests globally. The parent company, Precious Woods Holding Ltd., has its registered office in Zug. The Group’s subsidiaries are organized and operate under the laws of Brazil, Gabon, Netherlands, British Virgin Islands and Luxembourg.

The consolidated financial statements for the Precious Woods Group have been prepared on a historical cost basis, except for leasing, biological assets and land, that have been measured at fair value, and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements are presented in euros, as the Group’s revenues, profits and cash flows are principally denominated in euros. All values are rounded to the nearest thousand (in thousand EUR), except when otherwise indicated. The functional currency of the parent company Precious Woods Holding Ltd. is Swiss francs.

Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

### Change in scope of consolidation in 2020

There was one change in the scope of consolidation, implemented in 2020:

Precious Woods Tropical Gabon Industrie S.A., which performed the veneer business in Gabon for Precious Woods Group, entered into an arrangement with a partner’s business, owned 100% by Arbor Group, France, to benefit from economies of scale. Precious Woods Tropical Gabon Industrie S.A. acquired 49% shares and voting rights in Placage Déroule du Gabon S.A. by contribution of net assets. The deal took place on 1<sup>st</sup> October 2020. At the same time, Placage Déroule du Gabon S.A. was renamed to Compagnie des Placages de la Lowé S.A.

### Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. The resulting accounting estimates will, by definition, rarely equal the related actual results.

The estimates and assumptions, which may have a significant risk of causing a material impact on the consolidated financial statements, relate primarily to

- Biological assets (see Note 11),
- Leasing and right-of-use assets (see Note 21),
- Deferred income tax assets (see Note 28),
- Land titles in Brazil (see Note 10),
- Provisions (see Note 26),
- Contingencies (see Note 27) and
- Defined benefit obligations (see Note 29)

### Impact of the Covid-19 pandemic

Since the start of the pandemic at the beginning of 2020, Precious Woods has experienced various difficulties. Since then, there have been delays with regulatory approvals, delivery and procurement problems and several production restrictions due to illness. This resulted in high inventory levels and additional capital needs. Sales prices dropped globally in our sector, which was the biggest economic impact on the results of the Group. Market prices started to rise again in early 2021, but the other influences and restrictions remain for the time being.

### New or revised IFRS standards, amendments and interpretations

Certain IFRS and interpretations were revised or introduced. The relevant ones for the Group are,

*effective on or after 1 January 2020:*

- *IFRS 3 Definition of a business* – This amendment had no impact on the consolidated financial statements.
- *Interest Benchmark Reform* – These amendments to IFRS 9, IAS 39 and IFRS 7 had no impact on the consolidated financial statements.
- *Definition of “material”* – These amendments to IAS 1 and IAS 8 were respected in the preparation of the consolidated financial statements.

*effective on or after 1 June 2020:*

- *IFRS 16 Covid-19-Related Rent Concessions* – This amendment had no impact on the consolidated financial statements.

*effective on or after 1 January 2021:*

The Group does not expect any impact on its consolidated financial statements from new or revised IFRS standards and amendments effective for annual periods beginning on or after 1 January 2021.

### The material general accounting policies are as follows:

#### a. Currency

The subsidiaries’ accounting records are maintained in the legal currency of the country in which they operate and which

is their functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized through profit or loss. The currency translations rates are presented in Note 30.

The financial statements of the subsidiaries have been translated from their functional currencies to the presentation currency (EUR). All assets and liabilities are translated by using the rate of exchange prevailing at the reporting date. Shareholders' equity accounts are translated at historical exchange rates. Translation differences from changes in share capital of subsidiaries are recognized directly in equity. The statement of profit or loss is translated at the average rate for the year. Translation differences are recognized as currency translation effects in other comprehensive income.

## 2. Financial risk management

In the normal course of business, the Group is exposed to changes in market risk, liquidity risk and credit risk.

Precious Woods financial risk management seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by the Group finance department under conditions approved by the Board of Directors and Group Management. The Group Management takes decisions covering specific areas, such as foreign exchange risk, on a case-by-case basis.

### Market risk

The market risk includes interest rate risk, foreign exchange risk and equity price risk.

#### *Interest rate risk*

Precious Woods has no significant interest-bearing assets. The Group's interest rate risk arises from loans. Loans issued at variable rates expose Precious Woods to cash flow interest rate risks.

Management's policy is to maintain its borrowings in fixed rate instruments. There was no material variable interest rate borrowing on 31 December 2019 as well as on 31 December 2020.

### b. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. Such assessment occurs on the basis of events or changes in circumstances, which indicate that the value of an asset may be impaired. If such indications exist, the recoverable amount will be determined for the respective asset. If the asset does not generate cash inflows that are largely independent from other assets, the recoverable amount is determined on the lowest group of assets for which cash inflows are separable. An impairment loss is recognized, if the carrying value exceeds the recoverable amount. The recoverable amount is the higher of value in use and fair value less costs of disposal. The impairment is recorded in the statement of profit or loss.

All specific accounting policies may be found adjacent to the corresponding note on the following pages.

#### *Foreign currency risk*

Precious Woods operates internationally and is exposed to foreign currency risk arising from various currency exposures. The XAF is in a fix relation to the EUR. Most of the sales out from Gabon are denominated in EUR and largely all costs are in XAF. The sales out of Brazil are denominated in EUR and USD, the costs are in BRL. Therefore, the currency risk for the local books is given. Foreign currency risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. Group loans are denominated in CHF, BRL, EUR and XAF.

To manage its foreign currency risk arising from future commercial transactions the Group may use forward contracts, transacted by the Group finance department. The Group did not use this instrument in the past two years.

The sensitivity analysis below is based on the exposure on 31 December based on assumptions that have been deemed reasonable by Management, showing the impact on profit or loss before tax as well as on equity. The Group uses historical volatilities of the currency pairs below to determine the reasonable shift.



The following table summarizes the Group's sensitivity to currency exposures regarding the positions in the statement of financial position of the main currencies on 31 December:

in thousand EUR	31.12.20 Reasonable shift	31.12.20 "Impact" on profit or loss before tax	31.12.20 "Impact" on equity	31.12.19 Reasonable shift	31.12.19 "Impact" on profit or loss before tax	31.12.19 "Impact" on equity
EUR/CHF	+/-10%	+/-224	+/-2 161	+/-10%	+/-253	+/-2 156
USD/CHF	+/-10%	+/-62	+/-902	+/-10%	+/-72	+/-987
USD/BRL	+/-15%	+/-42	+/-508	+/-15%	+/-15	+/-676
CHF/BRL	+/-15%	+/-0	+/-4 355	+/-15%	+/-0	+/-6 997
XAF/CHF	+/-10%	+/-56	+/-1 654	+/-10%	+/-0	+/-1 572

#### Price risk

Precious Woods is exposed to equity securities price risks because of unlisted investments held by the Group and classified as measured at fair value through OCI. For details about the exposure please see Note 14.

#### Liquidity risk

Liquidity risk management is centralized at the Groups head office and monitored through cash-flow forecasts. The subsidiaries provide regular forecasts based on the expected cash-inflows and -outflows. Excess funds are pooled in accounts managed by the holding company. Cash deficits are funded by the holding company in general. Group administration raises the majority interest-bearing debt centrally. The Group seeks to reduce liquidity risks through sufficient cash reserves and credit facility arrangements.

The following table analyses the Group's remaining contractual maturities for financial liabilities.

in thousand EUR	Less than 1 year	Between 1 and 2 years	Over 2 years	Total
<b>31 December 2020</b>				
Trade and other payables	14 803	—	—	14 803
Lease liabilities	1 108	639	602	2 350
Loans, interest payables and legal liabilities	4 294	30 140	7 904	42 338
<b>Financial liabilities</b>	<b>20 206</b>	<b>30 779</b>	<b>8 507</b>	<b>59 491</b>

in thousand EUR	Less than 1 year	Between 1 and 2 years	Over 2 years	Total
<b>31 December 2019</b>				
Trade and other payables	14 115	—	—	14 115
Finance lease liabilities	776	1 336	61	2 173
Loans, interest payables and legal liabilities	8 213	8 886	24 936	42 035
<b>Financial liabilities</b>	<b>23 104</b>	<b>10 222</b>	<b>24 997</b>	<b>58 323</b>

#### Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Where banks and financial institutions are concerned, generally independently rated parties with a minimum rating of "A" are accepted. Precious Woods has one main relation with a bank, which has a rating of "A+". Most of the sales are CAD (Cash Against Documents) or L/C (Letter of Credit) and if this does not apply and the customers are independently rated, these ratings are used. The Group has set up a policy to minimize credit risk and monitor its clients. Customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored

on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The Group monitors its account receivables at individual customer level by payment due date rather than the number of days from invoice date. No concentrations of credit risk are currently present. An allowance for expected credit losses is determined on both an individual and a collective basis. An individual allowance is determined when a customer disputes the amount due, or if further steps have been taken to recover the overdue amount. Collective loss allowances are determined based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For detailed information see Note 17.

### Capital management

When managing capital, Precious Woods' objectives are to safeguard the Group's ability to continue as a going concern and to maintain an optimal structure to reduce the cost of capital. In order to reach these goals, Precious Woods issue new shares or sells assets to reduce debts. The mid-term target of the Group is to have an equity ratio of >40%. As per 31 December 2020, the Group's equity ratio decreased to 36%, from 42% in 2019. The Group's equity ratio compares the total shareholders equity to the total assets as presented in the consolidated statement of financial position. Capital is considered the equity attributable to holders of Precious Woods Holding. There were no changes in the Group's approach to capital management during the year.

### Guarantees and pledges of assets

As of 31 December 2020, the Group has pledged assets as follows:

Land	EUR 24.0 million
Machinery and vehicles	EUR 1.5 million
Leased machinery and vehicles	EUR 5.1 million

As of 31 December 2019, the Group had pledged assets as follows:

Land	EUR 24.0 million
Buildings and improvements	EUR 3.5 million
Machinery and vehicles	EUR 1.5 million
Leased machinery and vehicles	EUR 3.1 million

### 3. Financial information by segment

The activities of the Group are primarily organized and presented in four operating segments supported by a central corporate office. Management monitors and evaluates EBITDA of all segments separately for the purpose of making decisions about resources to be allocated and of assessing performance.

- *Sustainable Forest Management Brazil*: operations active in the sustainable management of tropical forests and the processing of tropical timber in Brazil
- *Sustainable Forest Management Gabon*: operations active in the sustainable management of tropical forests and the processing of tropical timber in Gabon
- *Trading*: trading of timber from external sources in Switzerland
- *Carbon & Energy*: trading of Certified Emission Reductions (CERs)

Precious Woods' forests in Brazil and Gabon are managed in a sustainable manner, which means that not more timber is harvested than can simultaneously grow back, and that the value of the forest is preserved. An integral part of Precious Woods' approach to sustainable forestry is the use of waste wood to produce electricity and the registration and sale of carbon emission reductions (CERs). The calculation parameters of the validation and verification standard CDM (Clean Development Mechanism) for project activities, used for the verification, have been partially adjusted in 2019. That led to lower volumes of verified CO<sub>2</sub> equivalents than expected. In 2019, based on the new calculation scheme, 39 269 tons of CO<sub>2</sub> equivalents were verified; whilst in 2020 34 867 tons of CO<sub>2</sub> equivalents were produced, but are not yet verified.

#### Operating segments – for the year ending on 31 December 2020

in thousand EUR	Sustainable Forest Management Brazil	Sustainable Forest Management Gabon	Trading	Carbon & Energy	Other <sup>1</sup>	Total
<b>Revenues</b>						
Third parties	12 037	28 899	2 496	65	0	43 497
Intersegment	787	29	–	–	–815	–
Associates and related parties	607	2 082	–	–	–	2 689
<b>Total revenues</b>	<b>13 431</b>	<b>31 009</b>	<b>2 496</b>	<b>65</b>	<b>–815</b>	<b>46 186</b>
Gain from changes in fair value from biological assets	927	–	–	–	–	927
Profit/(loss) on sale of PP&E	17	–78	–	–	–	–61
Share of profit/(loss) of associates	385	–739	–	–	–	–354
<b>Earnings before interest, tax, depreciation and amortization (EBITDA)</b>	<b>4 231</b>	<b>4 220</b>	<b>–422</b>	<b>6</b>	<b>–2 266</b>	<b>5 769</b>
Depreciation and amortization	–774	–3 062	–	–	–86	–3 922
Impairment charges/reversals	40	–	–	–	–	40
<b>Profit/(loss) from operating activities (EBIT)</b>	<b>3 497</b>	<b>1 158</b>	<b>–422</b>	<b>6</b>	<b>–2 352</b>	<b>1 887</b>
Financial income						191
Financial expenses						–3 148
<b>Earnings before tax (EBT)</b>						<b>–1 070</b>
Income taxes	–770	–357	–8	–	24	–1 111
<b>Segment assets</b>	<b>56 213</b>	<b>51 238</b>	<b>1 989</b>	<b>663</b>	<b>–659</b>	<b>109 443</b>
Investments in associates	980	2 360	–	–	–	3 340
Capital expenditures	353	3 636	–	–	5	3 994
<b>Segment liabilities</b>	<b>38 189</b>	<b>45 130</b>	<b>810</b>	<b>136</b>	<b>–14 130</b>	<b>70 134</b>

<sup>1</sup> The eliminations and adjustments consist of the intersegment eliminations and the results from Precious Woods Holding Ltd, the Luxembourg entities and Precious Woods Management Ltd, which are not allocated to a specific segment.



## Operating segments – for the year ending on 31 December 2019

in thousand EUR	Sustainable Forest Management Brazil	Sustainable Forest Management Gabon	Trading	Carbon & Energy	Other <sup>1</sup>	Total
<b>Revenues</b>						
Third parties	12 476	27 034	3 935	73	–	43 518
Intersegment	74	43	–	–	–117	–
Associates and related parties	862	–	–	–	–	862
<b>Total revenues</b>	<b>13 412</b>	<b>27 077</b>	<b>3 935</b>	<b>73</b>	<b>–117</b>	<b>44 380</b>
Initial recognition of fair value from biological assets	13 455	–	–	–	–	13 455
Profit/(loss) on sale of PP&E	91	404	–	–	–	495
Share of profit/(loss) of associates	438	–	–	–	–	438
<b>Earnings before interest, tax, depreciation and amortization (EBITDA)</b>	<b>16 407</b>	<b>4 998</b>	<b>99</b>	<b>7</b>	<b>–3 061</b>	<b>18 450</b>
Depreciation and amortization	–494	–3 319	–	–	–33	–3 845
Impairment charges	–649	–	–	–	–	–649
<b>Profit/(loss) from operating activities (EBIT)</b>	<b>15 266</b>	<b>1 680</b>	<b>99</b>	<b>7</b>	<b>–3 095</b>	<b>13 956</b>
Financial income						640
Financial expenses						–2 985
<b>Earnings before tax (EBT)</b>						<b>11 611</b>
Income taxes	–1 619	–1 976	49	–	–92	–3 638
<b>Segment assets</b>	<b>78 864</b>	<b>49 995</b>	<b>2 091</b>	<b>555</b>	<b>–429</b>	<b>131 076</b>
Investments in associates	1 066	–	–	–	–	1 066
Capital expenditures	695	4 979	–	–	6	5 680
<b>Segment liabilities</b>	<b>64 278</b>	<b>42 654</b>	<b>1 137</b>	<b>129</b>	<b>–32 227</b>	<b>75 972</b>

<sup>1</sup> The eliminations and adjustments consist of the intersegment eliminations and the results from Precious Woods Holding Ltd, the Luxembourg entities and Precious Woods Management Ltd, which are not allocated to a specific segment.

## Geographic information

in thousand EUR	2020		2019	
Revenues				
Europe	25 458	55.1%	24 559	55.3%
Latin America	3 596	7.8%	2 885	6.5%
Africa	6 770	14.7%	7 201	16.2%
Asia	6 214	13.5%	6 448	14.5%
Australia	197	0.4%	263	0.6%
North America	3 951	8.5%	3 024	6.9%
Total revenues	46 186	100.0 %	44 380	100.0 %
Location of non-current assets				
Switzerland	486	0.6%	123	0.1%
European Union	3	0.0%	3	0.0%
Latin America	50 225	61.1%	71 109	71.6%
Africa	31 443	38.3%	28 119	28.3%
Total non-current assets	82 157	100.0 %	99 354	100.0 %

## Accounting policies

Operating segments are reported in the manner consistent with the internal reporting to the chief operating decision

maker, which is the Group Management of Precious Woods. Group Management is responsible for allocating resources and assessing the performance of the operating segments.

#### 4. Revenue from contracts with customers

in thousand EUR	2020	2019
Revenues from sale of timber and roundwood	46 121	43 445
Revenue from sales of certified emission reductions (CERs)	65	73
<b>Total revenues</b>	<b>46 186</b>	<b>44 380</b>

##### Accounting policies

Revenue from contracts with customers – according to IFRS 15 – is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group generates revenues from sale of logs and sale of sawn timber products and recognizes the revenue at a point in time when the goods are at the point the customer purchases them. Payment of the transaction price is due immediately at the point the customer purchases the goods, or

within 30 days for account holding customers. For international sales the Group recognizes the revenue for goods at a point in time, according to the agreed Incoterms (International Commercial Terms).

BK Energia Itacoatiara – the associate of Precious Woods – generates CERs (Certified Emission Reductions) in the Amazon region of Brazil. These CERs are purchased by Precious Woods Holding. The produced CERs are recognized as inventory and valued at the lower of cost or net realizable value as long as the certification is not yet achieved, and sold afterwards.

#### 5. Consumables used and other production costs

in thousand EUR	2020	2019
Fuel, oil and lubricants	4 999	5 454
Energy – third parties	512	696
Maintenance and spare parts	4 381	4 810
<b>Total consumables used</b>	<b>9 892</b>	<b>10 960</b>

in thousand EUR	2020	2019
Logistics, transportation costs and freight	1 640	2 113
Forest taxes & expenses	1 738	1 636
Insurances (production)	258	271
Rent and lease (production)	65	31
Company-produced additions to plant and equipment	–367	–527
Miscellaneous production costs	1 435	1 569
<b>Total other production costs</b>	<b>4 769</b>	<b>5 093</b>

#### 6. Labour costs

in thousand EUR	2020	2019
Wages and salaries	13 846	15 224
Social security costs	2 576	2 590
Pension costs – defined contribution plans	–158	163
Pension costs – defined benefit plans	524	319
Other employment benefits	2 343	2 445
<b>Total labour costs</b>	<b>19 131</b>	<b>20 741</b>

in thousand EUR	2020	2019
Forest and processing costs	14 045	15 594
Administration and other labour costs	5 086	5 147
<b>Total labour costs</b>	<b>19 131</b>	<b>20 741</b>

## 7. Other operating income and expenses

in thousand EUR	2020	2019
<b>Other operating income</b>		
Gain on disposal of fixed assets	17	495
Gain on net asset contribution into associate	1 368	–
Other income	249	272
<b>Total other operating income</b>	<b>1 634</b>	<b>767</b>
<b>Other operating expenses</b>		
Audit fees	202	211
Legal and tax fees	184	229
Other consulting fees	204	211
Tax expenses (non-income taxes)	565	541
Travel expenses	333	546
Expenses for short-term leases	329	335
IT expenses	165	179
Insurances (non-production)	160	138
Change in expected credit loss allowance	490	–118
Loss on disposal of fixed assets	78	–
Other administrative expenses	683	485
<b>Total other operating expenses</b>	<b>3 393</b>	<b>2 757</b>

In other administrative expenses communication and investor relation expenses and marketing are included.

## 8. Depreciation, amortization and impairment

in thousand EUR	2020	2019
Depreciation of property, plant and equipment	2 116	2 239
Depreciation of right-of-use assets	1 351	1 106
Amortization of intangible assets	455	514
Impairment of property, plant and equipment	–	650
Reversal of impairment of property, plant and equipment	–40	–15
<b>Total depreciation, amortization and impairment</b>	<b>3 882</b>	<b>4 494</b>

## 9. Financial income and expenses

in thousand EUR	2020	2019
<b>Financial income</b>		
Dividends on non-current financial assets <sup>1</sup>	119	42
Reversal of impairment of financial assets at fair value	–	576
Other financial income	72	22
<b>Total financial income</b>	<b>191</b>	<b>640</b>
<b>Financial expenses</b>		
Interest expenses	2 747	2 509
Foreign-exchange losses	80	197
Other financial expenses	321	279
<b>Total financial expenses</b>	<b>3 148</b>	<b>2 985</b>

<sup>1</sup> As a result of the sale of the shares in NST, the fully impaired dividend from previous years, was paid out in 2020.



## 10. Property, plant and equipment

The carrying amounts of all assets summarized in property, plant and equipment, are as follows:

in thousand EUR	2020	2019
Land	42 178	56 331
Forest roads	4 280	5 460
Buildings and improvements	4 952	5 764
Machinery and vehicles	3 235	3 702
Furniture and fixtures	286	522
Construction in progress	6 065	4 451
Advanced payments for PPE	604	853
<b>Total carrying amounts</b>	<b>61 600</b>	<b>77 083</b>

The Group uses different valuation methods for its assets. Beside the land in Brazil and Gabon, which is presented at fair value according to the revaluation model of IAS 16 Property, Plant and Equipment, the assets are held at cost.

The forests in Brazil are presented separately as biological assets, according to IAS 41 Agriculture and are further detailed in Note 11; as well as the leased assets, presented separately according to IFRS 16 Leases in Note 21.

### a. Land at fair value

The land owned by Precious Woods was valued at cost in the past. Since 2019, Precious Woods applies the revaluation model according to IAS 16 Property, Plant and Equipment for all its land assets. Independent valuers performed in 2019 a revaluation of the land in Brazil and Gabon according to the revaluation model of IAS 16.31. The carrying amount for those assets, if the cost model had been applied, would have been EUR 12.2 million (2019: EUR 13.7 million).

### Land revaluation Brazil and Gabon

The revaluations in 2019 were performed by BDO Brazil for the land assets in Brazil and by A.N. Dengue for the land assets in Gabon. These valuers are not related to the Group and have recent experience in location and category of the land being valued. The valuation was based on the market value. The sales comparison approach is used to determine market value. This approach consists of comparing the subject land to similar land sold in the recent past in an open market situation, and adjusting the value for market trends. This results in a market value for the land. For 2020, land prices and their fluctuations were reviewed. No major fluctuations were detected, so no new assessments were made.

The fair value measurement for the land has been categorized as a level 2 fair value based on the inputs to the valuation technique used.

### Reconciliation of carrying amount of level 2 land revaluation

in thousand EUR	2020 at Fair Value	2019 at Fair Value
At 1 January	56 331	14 204
Disposals	—	—468
Revaluation adjustment	—	42 669
Currency effects	—14 153	—74
<b>At 31 December</b>	<b>42 178</b>	<b>56 331</b>

### Accounting policies

The land value is measured at fair value with any changes in value recognized in other comprehensive income under revaluation surplus.

## b. Other assets at cost

Beside the land, all other asset categories in property, plant and equipment are held at cost.

in thousand EUR	Forest roads	Buildings and improvements	Machinery and vehicles	Furniture and fixtures	Construction in progress	Advanced payments for PPE	Total PPE at cost
<b>Cost</b>							
<b>At 1 January 2019</b>	<b>11 448</b>	<b>20 986</b>	<b>29 683</b>	<b>2 192</b>	<b>1 330</b>	<b>2 578</b>	<b>68 218</b>
Additions	150	874	790	120	3 747	–	5 681
Disposals	–	–910	–1 693	–0	–42	–	–2 645
Reclassifications	–	410	145	28	–583	–	–
Currency effects	–70	–34	–84	–0	–1	–40	–230
<b>At 31 December 2019</b>	<b>11 528</b>	<b>21 326</b>	<b>28 841</b>	<b>2 340</b>	<b>4 451</b>	<b>2 538</b>	<b>71 024</b>
Additions	–	431	695	102	2 766	–	3 994
Disposals <sup>1</sup>	–	–8 632	–8 617	–1 358	–43	–	–18 650
Reclassifications	–	366	673	48	–1 087	–	–
Currency effects	–1 277	–633	–1 634	–81	–22	–741	–4 388
<b>At 31 December 2020</b>	<b>10 252</b>	<b>12 858</b>	<b>19 957</b>	<b>1 051</b>	<b>6 065</b>	<b>1 797</b>	<b>51 980</b>
<b>Accumulated depreciation and impairment</b>							
<b>At 1 January 2019</b>	<b>5 791</b>	<b>15 457</b>	<b>25 811</b>	<b>1 638</b>	<b>–</b>	<b>1 066</b>	<b>49 763</b>
Charge for the year	323	712	1 024	180	–	–	2 239
Impairment charge	–	–	–	–	–	650	650
Reversal of impairment	–15	–	–	–	–	–	–15
Disposals	–	–586	–1 631	–0	–	–	–2 217
Currency effects	–31	–21	–65	–0	–	–31	–148
<b>At 31 December 2019</b>	<b>6 068</b>	<b>15 562</b>	<b>25 138</b>	<b>1 817</b>	<b>–</b>	<b>1 685</b>	<b>50 272</b>
Charge for the year	529	618	818	150	–	–	2 116
Reversal of impairment	–40	–	–	–	–	–	–40
Disposals <sup>1</sup>	–	–7 881	–7 934	–1 133	–	–	–16 948
Currency effects	–586	–393	–1 300	–69	–	–492	–2 841
<b>At 31 December 2020</b>	<b>5 971</b>	<b>7 906</b>	<b>16 722</b>	<b>765</b>	<b>–</b>	<b>1 193</b>	<b>32 558</b>
<b>Carrying amount</b>							
<b>At 31 December 2019</b>	<b>5 460</b>	<b>5 764</b>	<b>3 702</b>	<b>522</b>	<b>4 451</b>	<b>853</b>	<b>20 752</b>
<b>At 31 December 2020</b>	<b>4 280</b>	<b>4 952</b>	<b>3 235</b>	<b>286</b>	<b>6 065</b>	<b>604</b>	<b>19 422</b>

<sup>1</sup> Please refer to note 13 for further details about the disposal on PP&E contributed in associate

For certain land acquired by Precious Woods in Brazil, the land title registration is not yet finalized. These transactions are disclosed as advanced payments for property, plant and equipment at historical cost. For advanced payments for land titles with a certain risk of losing the land, an allowance is recorded based on Management's estimate of the probab-

ity of not being able to prove the ownership of the land. Despite the continued efforts to clean the land titles from legal issues, Precious Woods was not able to reclassify in 2020 any advanced payments for property, plant and equipment to land (2019: EUR 0).

### Accounting policies

In general, assets in property, plant and equipment are recorded at cost less accumulated depreciation and any impairment in value. Depreciation is applied using the straight-line method over the estimated useful life of the assets as follows:

Permanent forest roads	25 years
Buildings and improvements	3 to 25 years
Machinery and vehicles	4 to 10 years
Furniture and fixtures	5 to 10 years

The assets' residual values and useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the consolidated statement of profit or loss.

## 11. Biological assets

in thousand EUR	2020	2019
At 1 January	13 158	—
Change in fair value less cost to sell	927	13 455
Currency effects	–3 923	–297
<b>At 31 December</b>	<b>10 162</b>	<b>13 158</b>

The forests of Precious Woods in Brazil are organized as one single forest management and are managed in a sustainable manner, which means that no more than the incremental growth will be harvested and the substance of the forest will be preserved. The forests were not recorded at fair value in the past since fair value measurement was not possible due to a not adapted management system in place. In 2019, independent experts of BDO Brazil did the first appraisal of the Group's naturally grown forests according to IAS 41 Agriculture and IFRS 13 Fair Value Measurement. The implementation of the new management system allowed to collect sufficient data to measure the fair value of the forests reliably. For 2020, the valuation was updated internally. No material changes were identified as a result of the valuation.

### Accounting policies

Biological assets are measured at their fair value less costs to sell, with any resultant gain or loss recognized in the consolidated statement of profit or loss. The fair value of biological assets was estimated by applying the income approach, considering the discounted cash flow method. The income approach reflects current market expectations in relation to future values. The costs to sell are made up of harvesting, transporting and processing costs.

### Valuation process

The Group has a team within the Internal Reporting department that performs the valuation of biological assets. The valuation is updated internally at the end of each reporting period. If indicators of major changes are noted, a new external independent appraiser is engaged to recalculate the fair value of the assets. When considering the appropriate input data, the team reviews available information such as quantity of tree harvest: expected yield, current market prices, expected harvest costs through to harvest and the expected timing of harvest.

The valuation policies and procedures, as well as changes in the fair value measurements are reviewed by the chief financial officer (CFO) annually. The CFO is responsible for the Group's internal valuation team. The Group's internal valuation team comprises two employees, both of whom hold relevant internationally recognized professional qualifications and are experienced in valuations in the forest industry.

### *Methodology and assumptions used in determining fair value*

Since management was able to provide reliable cash flow estimates, the group utilized the Income Approach, specifically the Discounted Cash Flow (DCF) Method for determine the fair value of the biological assets. The DCF Method is a commonly used method for valuing biological assets based on its expected future cash flows.

The following significant assumption were adopted by the group to determine the fair value of the forest:

Volumes: The biological assets consist of a variety of naturally grown trees native to the region, which are cut from 50 cm in diameter and have a natural renewal cycle of 35 years. For value estimation and still considering the characteristics of the evaluated assets and the sustainable management, an annual exploration area of 11 000 to 13 000 hectares was considered. The exploration area of effective forest management area is calculated from the total area of forests owned by Precious Woods (in order to obtain the exploration approval) excluding 20 % of the permanent preservation area.

For the estimation of the fair value of the forest, a certain volume of exploration area was considered, according to the evolution through years and the Group's management expectation of exploration for the coming years. Based on historical data, a weighted average productivity was applied to get



an average projected volume per year. The harvesting volume is calculated on effective quantities achieved in the last 20 years of activity in this area with 16 m<sup>3</sup>/ha/year (2019: 16 m<sup>3</sup>/ha/year). The total harvesting volume is expected to be 186 000 m<sup>3</sup> (2019: 180 000 m<sup>3</sup>). The actual harvesting volume for 2020 was 188 500 m<sup>3</sup> (2019: 156 100 m<sup>3</sup>).

Volume adjustment factor: The logs will be transformed to sawn timber in various dimensions. An average yield factor was applied.

Prices: The average price applied on the volume to generate revenues were derived from the segregation between export or domestic market, type of product (commercial / non-commercial) and the corresponding prices. Generally, the costs contain cutting, transportation and processing as well as the depreciation expenses of the related fixed assets. For the export market, additional costs for drying and packaging are added. The majority of timber is for the export market and related to market prices.

Operating costs: The costs include all cost related to the sustainable forest management and the production cost in the industry.

Cost to sell: On top of operating cost there are cost for packaging, administration, sales activities and transportation respected, but no financial costs or income taxes.

#### *Level 3 fair value*

The valuation model considers the present value of the net cash flows expected to be generated from the natural forest management activities in the next 4 years. The forest for the 31 years remaining part of the cycle is regarded as non-productive forest, even if a harvesting will follow, as the forest is naturally re-generated during the cycle of 35 years. Therefore, the values remain +/- the same if there are no major market price differences than the ones applied.

#### *Key assumption used in the determination of the discount rate*

In determining the after tax weighted average cost of capital (WACC) a group rate of 14.1% (2019: 7.1%) has been applied considering the following inputs:

	2020	2019
Unlevered beta factor	1.46	1.19
Risk free rate	0.6%	2.4%
Equity risk premium	9.6%	5.2%
Debt/Equity ratio	38.9%	39.4%
Tax rate	34.0%	34.0%

#### *Sensitivity analysis*

Assuming all other unobservable inputs are held constant, the following changes in these above assumptions will cause a change in the fair value of the forest:

in thousand EUR	FV	Effect
Assumption 31 December 2020	10 162	
Sales prices-5.0%	8 237	-18.9%
Costs +5.0%	8 779	-13.6%
Volumes-10.0%	9 241	-9.1%
Discount rate +50.0%	9 334	-8.1%

in thousand EUR	FV	Effect
Assumption 31 December 2019	13 158	
Sales prices-5.0%	9 855	-25.1%
Costs +5.0%	10 585	-19.6%
Volumes-10.0%	7 505	-43.0%
Discount rate +50.0%	12 368	-6.0%

The above sensitivity analysis shows how the present value of the discounted cash flows would be affected if the key valuation parameters were attributed other values than those that form the basis of the current valuation of the

discounted cash flows. An increase by the same percentage would have the opposite effect on the valuation.

The Group is exposed to a number of risks relevant to its natural forest management activities, namely:

**Regulatory and environmental risk:** The Group has established environmental policies and procedures aimed at compliance with environmental legislation. Management performs regular reviews to identify environmental risks and to ensure that the management systems in place are adequate. The Group manages its natural forest in compliance with FSC and PEFC standards since 1994 and 2017 respectively.

**Supply and demand risk:** The Group is exposed to risks arising from fluctuations in the price and demand for log products. When possible, the Group manages these risks by aligning its harvest volumes to market demand. Management performs regular industry trend analyses to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with expected demand on a sustainable basis.

**Climate and other risk:** The Group's forests are exposed to the risk of damage from climatic changes, diseases and other natural forces.

## 12. Intangible assets

in thousand EUR	Trademarks and licences	Other	Total
<b>Cost</b>			
<b>At 1 January 2019</b>	<b>12 319</b>	<b>7 921</b>	<b>20 240</b>
Additions	–	53	53
Reclassifications	–	–2	–2
Currency effects	–	–15	–15
<b>At 31 December 2019</b>	<b>12 319</b>	<b>7 957</b>	<b>20 276</b>
Additions	–	126	126
Disposals	–	–72	–72
Reclassifications	–	–	–
Currency effects	–	–554	–554
<b>At 31 December 2020</b>	<b>12 319</b>	<b>7 457</b>	<b>19 776</b>
<b>Accumulated amortization and impairment</b>			
<b>At 1 January 2019</b>	<b>10 558</b>	<b>5 677</b>	<b>16 235</b>
Charge for the year	282	232	514
Currency effects	–	13	13
<b>At 31 December 2019</b>	<b>10 840</b>	<b>5 922</b>	<b>16 762</b>
Charge for the year	282	173	455
Disposals	–	–72	–72
Currency effects	–	–19	–19
<b>At 31 December 2020</b>	<b>11 122</b>	<b>6 004</b>	<b>17 126</b>
<b>Carrying amount</b>			
<b>At 31 December 2019</b>	<b>1 479</b>	<b>2 035</b>	<b>3 514</b>
<b>At 31 December 2020</b>	<b>1 197</b>	<b>1 453</b>	<b>2 650</b>

Other intangible assets mainly include forest concessions and software.

### Accounting policies

Forest concessions are not classified as lease contracts, as the right to direct the use of the concession is not with the Group, but with the Gabonese government. Acquired trademarks and licenses have a finite useful life and are carried at

cost less accumulated amortization and impairment loss. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives as follows:

Acquired trademarks	12 to 24 years
Licenses	12 to 24 years
Other intangible assets	12 to 50 years

### 13. Investment in associates

#### Movements in investments in associates

in thousand EUR	2020	2019
At 1 January	1 066	799
Net additions/(disposals)	3 099	–
Share of profit/(loss) of associates	–354	438
Dividend earned	–138	–259
Currency effects	–333	88
<b>At 31 December</b>	<b>3 340</b>	<b>1 066</b>

There are no unrecognized share of losses relating to the above associates.

#### Proportion of ownership in investment in associates

Associate	Country	31 December 2020	31 December 2019
BK Energia Itacoatiara Ltda.	Brazil	40%	40%
Compagnie des Placages de la Lowé S.A. <sup>1</sup>	Gabon	49%	0%

<sup>1</sup> since 1<sup>st</sup> October 2020

#### BK Energia Itacoatiara Ltda.

in thousand EUR	2020	2019
At 1 January	1 066	799
Share of profit/(loss) of associates	385	438
Dividend earned	–138	–259
Currency effects	–333	88
<b>At 31 December</b>	<b>980</b>	<b>1 066</b>

The renewable-power-generation plant BK Energia Itacoatiara generates CERs (Certified Emission Reductions) in the Amazon region of Brazil. It complies with all the necessary conditions established in the Kyoto Protocol and by the UNFCCC (United Nations Framework Convention on Climate Change). Carbon

emissions are avoided by substituting diesel fuel with wood waste from the sawmill and from forest operations for generation of electricity. CERs are granted by the UNFCCC for greenhouse gas reduction per metric ton of CO<sub>2</sub> equivalent.

Set out below is the summarized financial information for the material associate BK Energia Itacoatiara Ltda.:

in thousand EUR	31 December 2020	31 December 2019
Current assets	2 692	3 080
Non-current assets	72	117
Current liabilities	313	532
<b>Equity</b>	<b>2 451</b>	<b>2 665</b>
Group's share in equity	980	1 066
<b>Group's carrying amount in the investment</b>	<b>980</b>	<b>1 066</b>



in thousand EUR	2020	2019
Revenues	2 738	3 571
Cost of sales	-1 374	-1 870
Administration expenses	-178	-206
Financial result	72	-54
<b>Earnings before tax (EBT)</b>	<b>1 258</b>	<b>1 441</b>
Income tax (expenses)/income	-296	-346
<b>Net profit/(loss) for the period</b>	<b>962</b>	<b>1 095</b>
<b>Group's share of profit/(loss) for the year</b>	<b>385</b>	<b>438</b>

The associate had no contingent liabilities or capital commitments as at 31 December 2020 or 2019.

#### Compagnie des Placages de la Lowé S.A.

in thousand EUR	2020	2019
At 1 January	—	—
Net additions/(disposals)	3 099	—
Share of profit/(loss) of associates	-739	—
<b>At 31 December</b>	<b>2 360</b>	<b>—</b>

Precious Woods Tropical Gabon Industrie S.A., owned 100% by Precious Woods Group, entered into an arrangement with Placage Déroule du Gabon S.A., also a veneer producing company in Gabon, owned 100% by Arbor Group, France. Precious Woods Tropical Gabon Industrie S.A. acquired 49% shares and voting rights in Placage Déroule du Gabon S.A. by contribution of net assets. The deal took place on 1<sup>st</sup> October 2020. At the same time, Placage Déroule du Gabon S.A. was

renamed to Compagnie des Placages de la Lowé S.A. The new company is located in Libreville.

Precious Woods Group has no control or joint control over the investment but exercises significant influence.

At the date of acquisition, the fair value of the investment in Compagnie des Placages de la Lowé S.A. amounted to EUR 4.4 million.

#### Contributed assets and liabilities

in thousand EUR	1 October 2020
Current assets	8 252
Non-current assets	1 320
<b>Total assets</b>	<b>9 572</b>
Current liabilities	7 299
Non-current liabilities	542
<b>Total liabilities</b>	<b>7 841</b>
<b>Total net assets transferred</b>	<b>1 731</b>

The Group recognized a gain of EUR 1.4 million, attributable to the other investor within line other operating income in the profit or loss. Prior the elimination of own attributable gain of EUR 1.3 million, the gain recognized was EUR 2.7 million.

Set out below is the summarized financial information for Compagnie des Placages de la Lowé S.A. The information for 2020 includes the results of Compagnie des Placages de la Lowé S.A. for the period from 1<sup>st</sup> October to 31 December 2020.

in thousand EUR	31 December 2020	31 December 2019
Current assets	12 902	—
Non-current assets	3 438	—
Current liabilities	9 724	—
Non-current liabilities	3 182	—
<b>Equity</b>	<b>3 434</b>	<b>—</b>
Group's share in equity	1 683	—
Goodwill	677	—
<b>Group's carrying amount in the investment</b>	<b>2 360</b>	<b>—</b>

in thousand EUR	2020	2019
Revenues	3 812	—
Cost of sales	–4 437	—
Administration expenses	–761	—
Financial result	–81	—
<b>Earnings before tax (EBT)</b>	<b>–1 467</b>	<b>—</b>
Income tax (expenses)/income	–41	—
<b>Net profit/(loss) for October – December</b>	<b>–1 508</b>	<b>—</b>
<b>Group's share of profit/(loss) for October – December</b>	<b>–739</b>	<b>—</b>

The associate had no contingent liabilities or capital commitments as at 31 December 2020 or 2019.

### Accounting policies

Associates are entities, over which the Group holds 20 to 50 percent of the voting rights and exercises significant influence. The Group does not exercise control over their financial and operational policy decisions. These associates are accounted for using the equity method. The Group's share of profit of associate is classified within operating profit as these businesses form an integral part of the Group's financial performance, reflecting its core business activities. Goodwill arising from an acquisition is included in the carrying amount of the investments in associated companies. Equity accounting is discontinued when the carrying amount of the investment together with any long-term interest in an associate reaches zero, unless the Group has either incurred or guaranteed additional obligations in respect of the associate.

The Group tests associates for impairment only when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the invest-

ment. Objective evidence of impairment includes events such as significant financial difficulties of the associate or information about significant changes with an adverse effect that have taken place in the economic environment in which the associate operates, and indicates that the carrying amount of the associate may not be recovered.

An impairment loss is only recognized when the carrying amount of the associate exceeds its recoverable amount, being the higher of value in use and fair value less costs of disposal. The recoverable amount of an investment in an associate is assessed for each associate, unless the associate does not generate cash inflows from continuing use that are largely independent of those from other assets of the Group.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

## 14. Non-current loans and investments

in thousand EUR	2020	2019
Non-current loans, associates	365	—
NIBO investment	25	25
<b>Total non-current loans and investments</b>	<b>390</b>	<b>25</b>

The loan to associates was granted in connection with the new investment in Compagnie des Placages de la Lowé S.A.

The investment in Nederlandse Internationale Bosbouw Onderneming NV (NIBO) is placed in USD with a value of USD 27 306.



## 15. Inventories

in thousand EUR	2020	2019
Logs	3 343	3 730
Sawn timber	3 862	3 851
Veneers	–	1 618
Industrialized products	657	1 175
Certified Emission Reductions (CERs)	135	129
Export products in transit	1 705	3 368
Consignment inventory	170	–
Spare parts and other	4 040	4 693
Obsolescence reserve	–1 794	–1 757
<b>Total inventories</b>	<b>12 118</b>	<b>16 807</b>

### Obsolescence reserve

in thousand EUR	2020	2019
At 1 January	1 757	528
Increase	900	1 235
Reversed	–834	–3
Currency effects	–29	–2
<b>At 31 December</b>	<b>1 794</b>	<b>1 757</b>

### Accounting policies

Inventories are valued at the lower of cost or net realizable value. Logs and finished products are recorded at the average cost of production, less provision for losses, when applicable. Net realizable value is the estimated selling price in the ordi-

nary course of business, less estimated costs of completion and the estimated costs to make the sale. The cost of semi-finished and finished goods contains direct production costs including materials and production costs, as well as production overhead costs.

## 16. Prepayments

in thousand EUR	2020	2019
Prepaid expenses, prospecting	93	–
Prepaid expenses, other	503	534
<b>Total prepayments</b>	<b>596</b>	<b>534</b>

Prepaid expenses are expenses paid in the current accounting period but relating to a future accounting period. Prospecting

costs are the costs incurred in the collection of data regarding the area to be harvested the next year.

## 17. Trade and other receivables

in thousand EUR	2020	2019
Trade receivables, third parties	9 517	5 232
Trade receivables, associates	12	48
Allowance for expected credit losses	-1 029	-785
<b>Total trade receivables net</b>	<b>8 500</b>	<b>4 495</b>
Other current receivables	3 023	6 283
<b>Total trade and other receivables net</b>	<b>11 523</b>	<b>10 778</b>

The carrying amounts of the receivables approximate to their fair values. Other receivables mainly contain credit balances

from governments, therefore the expected credit loss is immaterial.

### Allowance for credit losses for trade receivables

in thousand EUR	2020	2019
At 1 January	785	914
Increase of allowance for credit losses	490	-62
Reversal of allowance for credit losses	-0	-56
Utilisation of loss allowances	-20	-
Currency effects	-226	-11
<b>At 31 December</b>	<b>1 029</b>	<b>785</b>

The exposure to credit risk is covered with the impairment for expected credit losses under IFRS 9 on trade receivables. It contains collectively assessed positions (Lifetime ECL), using the simplified approach, as well as individually assessed positions.

The individual allowances for credit losses include receivables past due more than 12 months, where the Group is in negotiation with the debtors for a solution.

The standard payment terms for trade receivables are in most instances Cash Against Documents (CAD) or Letter of Credit (L/C). The trade receivables are not interest-bearing, and the Group considers them to be credit impaired when internal or external information give cause for serious concern to receive the outstanding amount. The credit ratings for the lifetime ECL base on the aging buckets of the trade receivables. Taking into consideration the terms and conditions established with customers, the lifetime expected credit loss allowance for trade receivables is as follows:

in thousand EUR	Expected credit loss default rate	2020	2019
Not overdue	0.5–0.6%	7 640	3 288
Less than 30 days overdue	0.5–0.6%	605	781
31 to 60 days overdue	1.7–2.0%	66	120
61 to 180 days overdue	10.0%	138	139
More than 180 days overdue	15.0%	142	256
Individually impaired	100.0%	938	696
<b>Total trade receivables gross</b>		<b>9 529</b>	<b>5 280</b>
Allowance for expected credit losses		-1 029	-785
<b>Total trade receivables net</b>		<b>8 500</b>	<b>4 495</b>

### Accounting policies

Trade accounts receivable are recognized initially at fair value and subsequently measured at amortized cost less allowances. The allowances base on the simplified approach of full lifetime expected credit losses as defined by the impairment model of IFRS 9. To calculate these allowances the trade accounts receivables are clustered into ageing buckets and

each of these buckets weighted with a certain percentage. Doubtful accounts are assessed individually to analyze if a significant increase in credit risk occurred and an individual impairment is needed. Indications for such impairments are substantial financial problems on the part of the customer, a declaration of bankruptcy, or a significant delay in payment occurring.

## 18. Trade and other payables

in thousand EUR	2020	2019
Trade payables, third parties	5 259	4 607
Trade payables, associates	565	–
<b>Total trade payables</b>	<b>5 824</b>	<b>4 607</b>
Other current liabilities, third parties	5 430	6 349
Other current liabilities, associates	136	129
Accrued expenses	3 413	3 030
<b>Total other payables</b>	<b>8 979</b>	<b>9 508</b>
<b>Total trade and other payables</b>	<b>14 803</b>	<b>14 115</b>

Further details about financial risk management are described in Note 2.

## 19. Financial liabilities, other than trade and other payables

### Carrying value of financial liabilities, other than trade and other payables

in thousand EUR	2020	2019
Loans, interest payables and legal liabilities	42 338	42 035
Lease liabilities	2 350	2 173
<b>Total</b>	<b>44 688</b>	<b>44 208</b>
Current loans	1 561	1 713
Current loans, related parties with significant influence	2 293	5 896
Current interest payables	440	604
Current lease liabilities	1 108	776
<b>Total current</b>	<b>5 402</b>	<b>8 989</b>
Non-current loans	6 718	5 353
Non-current loans, related parties with significant influence	27 328	25 030
Non-current interest payables	3 998	3 439
Non-current lease liabilities	1 242	1 397
<b>Total non-current</b>	<b>39 286</b>	<b>35 219</b>
<b>Total</b>	<b>44 688</b>	<b>44 208</b>



The changes in liabilities from financing activities are detailed below:

in thousand EUR	Current financial liabilities	Non-current financial liabilities	Total
<b>At 1 January 2019</b>	<b>12 316</b>	<b>25 507</b>	<b>37 823</b>
<b>Cashflows</b>			
Cash inflow	–	7 796	7 796
Cash outflow to reflect lease payments	–10	–206	–216
Cash outflow due to redemption	–4 756	–911	–5 668
<b>Non-cash changes</b>			
Reclassifications	1 186	–1 186	–
Increase in lease liabilities	17	1 186	1 203
Increase to reflect interest on lease liabilities	1	64	65
Accrued interests	–	2 278	2 278
Disposal due to renouncement	–	–66	–66
Currency effects	235	758	993
<b>At 31 December 2019</b>	<b>8 989</b>	<b>35 219</b>	<b>44 208</b>
<b>Cashflows</b>			
Cash inflow	2 141	–	2 141
Cash outflow to reflect lease payments	–	–942	–942
Cash outflow to reflect interests paid	–	–1 492	–1 492
Cash outflow due to redemption	–2 009	–1 004	–3 013
<b>Non-cash changes</b>			
Reclassifications	–3 577	3 577	–
Increase in lease liabilities	–	1 592	1 592
Increase interest on lease liabilities	–	127	127
Accrued interests	–	2 613	2 613
Currency effects	–142	–405	–547
<b>At 31 December 2020</b>	<b>5 402</b>	<b>39 286</b>	<b>44 688</b>

The carrying amounts of financial liabilities are denominated in the following currencies. The amounts are translated into EUR at the exchange rate of the reporting date.

in thousand EUR	2020	2019
<b>Currencies financial liabilities/borrowings denominated in:</b>		
EUR	3 004	1 015
XAF	9 004	10 056
CHF	31 454	30 974
BRL	1 226	2 163
<b>Total financial liabilities</b>	<b>44 688</b>	<b>44 208</b>

The effective interest rates at the reporting date by currency were as follows:

	2020	2019
EUR	1.0 – 4.0%	1.0 – 4.0%
XAF	8.5–11.0%	8.5–11.0%
CHF	1.5 – 6.0%	1.5 – 6.0%
BRL	4.5 – 6.8%	4.5 – 6.8%

Further details about financial risk management are described in Note 2.

## 20. Financial instruments by category and fair value hierarchy

### Financial instruments by category

in thousand EUR	at amortized costs	at fair value through OCI	Total
<b>31 December 2020</b>			
<b>Assets</b>			
Cash and cash equivalents	2 778	–	2 778
Trade and other receivables	9 717	–	9 717
Non-current loan to associates	365	–	365
Non-current financial assets	–	25	25
<b>Total financial assets</b>	<b>12 860</b>	<b>25</b>	<b>12 885</b>

in thousand EUR	at amortized costs	at fair value through OCI	Total
<b>31 December 2019</b>			
<b>Assets</b>			
Cash and cash equivalents	2 578	–	2 578
Trade and other receivables	6 292	–	6 292
Non-current financial assets	–	25	25
<b>Total financial assets</b>	<b>8 870</b>	<b>25</b>	<b>8 894</b>

in thousand EUR	2020	2019
<b>Liabilities at amortized costs</b>		
Trade and other payables	10 554	10 446
Loans, interest payables and legal liabilities	42 338	42 035
Lease liabilities	2 350	2 173
<b>Total financial liabilities</b>	<b>55 242</b>	<b>54 654</b>

### Accounting policies

Financial assets are categorized as current assets if they are expected to be realized within 12 months from the reporting date otherwise they are included in non-current assets. Trade accounts receivables and other current assets are measured at amortized cost less allowances for expected credit losses. Financial assets at fair value through OCI are subsequently measured at fair value, with changes in fair value recorded in other comprehensive income.

Trade accounts payables and current liabilities are categorized as current liabilities if they are expected to be realized within 12 months from the reporting date otherwise they are included in non-current liabilities. They are measured at amortized cost. Borrowings are classified as current liabilities unless Precious Woods has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. They are initially recorded at fair value, net of transaction costs, and subsequently measured at amortized cost according to the effective interest rate method.

Cash and cash equivalents comprise cash at bank and in hand and short-term highly liquid deposits with an original maturity of three months or less. They are recorded at nominal value. Bank overdrafts are presented within current financial liabilities.

### Fair value hierarchy

The carrying amounts of financial instruments correspond approximately to their fair value. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 – other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3 – techniques that use inputs, which have a significant effect on the recorded fair value, and which are not based on observable market data

## Assets measured at fair value

in thousand EUR	31 December 2020	Level 1	Level 2	Level 3
Non-current financial assets	25	—	—	25
Biological assets	10 162	—	—	10 162
Land	42 178	—	42 178	—
<b>Total assets measured at fair value</b>	<b>52 365</b>	<b>—</b>	<b>42 178</b>	<b>10 187</b>

in thousand EUR	31 December 2019	Level 1	Level 2	Level 3
Non-current financial assets	25	—	—	25
Biological assets	13 158	—	—	13 158
Land	56 331	—	56 331	—
<b>Total assets measured at fair value</b>	<b>69 514</b>	<b>—</b>	<b>56 331</b>	<b>13 183</b>

## Reconciliation of fair value measurement of level 3 financial assets

in thousand EUR	2020	2019
At 1 January	13 183	466
Reversal of impairment	—	576
Reclassification to assets held for sale	—	–1 024
Gain from changes in fair value from biological assets	927	13 158
Currency effects	–3 923	6
<b>At 31 December</b>	<b>10 187</b>	<b>13 183</b>

## 21. Leasing

The Group has entered into several leases for vehicles and machinery. The leases have lease terms of three to four years.

The development of the lease liabilities is as follows:

in thousand EUR	2020	2019
At 1 January	2 173	2 173
Additions	1 592	1 514
Interest expenses	127	65
Redemption	–596	–1 362
Payments	–942	–217
Currency effects	–4	—
<b>At 31 December</b>	<b>2 350</b>	<b>2 173</b>
Thereof current	1 108	776
Thereof non-current	1 242	1 397



## Right-of-use assets

in thousand EUR

	Leased buildings and building improvements	Leased machinery and vehicles	Total
<b>At 1 January 2019</b>	<b>131</b>	<b>3 059</b>	<b>3 190</b>
Additions	–	1 166	1 166
Depreciation	–29	–1 077	–1 106
Disposals	–	–	–
Currency effects	–	0	0
<b>At 31 December 2019</b>	<b>102</b>	<b>3 148</b>	<b>3 250</b>
Additions	407	1 185	1 592
Depreciation	–70	–1 281	–1 351
Disposals	–	–71	–71
Currency effects	–5	0	–4
<b>At 31 December 2020</b>	<b>434</b>	<b>2 981</b>	<b>3 415</b>

As of 31 December, other operating expenses contain the following expenses in connection with leases:

in thousand EUR	2020	2019
Expenses for short-term leases	330	335
Expenses for leases of low value	1	1
<b>Total operating lease expenses</b>	<b>331</b>	<b>336</b>

### Accounting policies

Each contract is assessed at inception, whether it constitutes or contains a lease. This is given, when the contract conveys the right to control the use of the identified asset for the period of use in exchange for substantially all of the economic benefits. Precious Woods elected to apply the recognition exemptions to short-term leases and low value leases. For such leases no right-of-use asset and no lease liability are recorded, instead the lease payments are recognized as operating expenses.

At the commencement date, the lease liability is measured at the present value of future lease payments to be made over

the lease term. Incremental borrowing rates are used for the discount rates. The right-of-use asset corresponds initially to the lease liability, plus any initial direct costs, advance payments and dismantling or removing costs. The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term or the useful life. If at the end of the lease term the ownership of the leased asset is transferred to the lessee or the lessee is reasonably certain to exercise the purchase option, then the right-of-use asset has to be depreciated according to the useful life defined for property, plant and equipment.

## 22. Share capital

The functional currency of Precious Woods Holding is Swiss francs. In the financial statements it is translated into

the Group's presentation currency (EUR) using historical exchange rates.

### Share capital overview

	Number of shares at a nominal value of CHF 1 2020	Number of shares at a nominal value of CHF 1 2019	Share capital in thousand EUR 2020	Share capital in thousand EUR 2019
<b>Issued and fully paid-in capital</b>				
<b>At 1 January</b>	<b>7 052 745</b>	<b>7 052 745</b>	<b>5 731</b>	<b>5 731</b>
Increase	—	—	—	—
<b>At 31 December</b>	<b>7 052 745</b>	<b>7 052 745</b>	<b>5 731</b>	<b>5 731</b>

The shares rank equally with regard to voting rights and dividends, and the Articles of Association include no restrictions on transfer of the Group's shares. Precious Woods' registered shares are not subject to any restriction on voting, distribution, transfer or other rights that exceed regulations which are unalienable under Swiss law. The authorized share capital and the conditional share capital are intended to be utilized for acquisitions, the purchase of forests or for reforestations, investments, convertible loans, expansions of shareholder base or any other important reason. The shareholders' subscription rights can be excluded in these cases, as well as for firm underwriting agreements.

#### Ordinary share capital

On 31 December 2020, the issued and fully paid-in share capital amounted to CHF 7 052 745 (2019: CHF 7 052 745).

#### Authorized share capital

On 16 May 2019, authorized capital in the amount of CHF 1 000 000 was adopted by the general meeting. It will expire in May 2021.

#### Conditional share capital

On 31 December 2020, the portion of the conditional share capital which is intended to cover options of employees and board members amounted to CHF 46 638, and the total conditional share capital amounted to CHF 1 396 638.

## 23. Major shareholders

On 31 December 2020, the major shareholders holding 3% (rounded) or more of Precious Woods Holding outstanding shares were as follows:

	Number of shares 2020		Number of shares 2019	
Fleischmann Werner	1 356 305	19.2%	1 251 161	17.7%
Aires International Investment Inc. <sup>1</sup>	—	—	800 000	11.3%
Campdem Development SA	630 000	8.9%	650 000	9.2%
Aage V. Jensen Charity Foundation	455 704	6.5%	455 704	6.5%
Basler Insurances	333 053	4.7%	333 053	4.7%
von Braun	324 324	4.6%	324 324	4.6%
BoD / Management Precious Woods	299 901	4.3%	299 861	4.3%
Vasalli Christian	242 400	3.4%	236 000	3.3%
Gut Thomas	241 808	3.4%	241 808	3.4%
Gut Joseph	241 533	3.4%	241 533	3.4%
<b>Total number of outstanding shares</b>	<b>7 052 745</b>	<b>100.0 %</b>	<b>7 052 745</b>	<b>100.0 %</b>

<sup>1</sup> Deregistration from the share register

The financial liabilities on loans from related parties are presented in Note 19.

## 24. Earnings per share

Calculation of the basic and diluted earnings per share is based on the following data:

In EUR	2020	2019
Net income/(loss) attributable to Group equity holders	-2 172 675	7 987 606
Weighted average number of shares	7 052 513	7 050 798
<b>Basic earnings/loss per share</b>	<b>-0.31</b>	<b>1.13</b>
Weighted average number of shares for diluted earnings per share	7 052 513	7 050 798
<b>Diluted earnings per share</b>	<b>-0.31</b>	<b>1.13</b>

Basic earnings per share (EPS) are calculated by dividing the net income attributable to shareholders of Precious Woods Holding by the weighted average number of shares outstanding during the year. For diluted EPS, the weighted average

number of shares outstanding is adjusted to assume conversion of all potentially dilutive shares arising from options on Precious Woods shares.

## 25. Related party balances and transactions

An overview of the subsidiaries of Precious Woods is presented in Note 31. Details of transactions between the Group and other related parties are disclosed below. Major share-

holders holding 3% or more of Precious Woods Holding are disclosed in Note 23.

### a. Balances and transactions

The balances with related parties, as of 31 December 2020 and 2019, are detailed below:

in thousand EUR	2020	2019
Trade receivables and other current receivables from associates	12	48
Non-current loan to associates	365	-
Trade and other current liabilities to associates	701	129
Current loans from shareholders with significant influence	2 293	5 896
Non-current loans from shareholders with significant influence	27 328	22 727
Non-current financial liabilities from shareholders with significant influence	3 418	2 303
Paid interest expenses to shareholders with significant influence	474	485
Paid interest expenses to other shareholders	-	51



## b. Compensation

During the ordinary course of business in 2020 and 2019, the Group granted remunerations to related parties as follows:

in thousand EUR	2020	2019
<b>Board of Directors</b>		
Short-term employee benefits	200	205
Post-employment employee benefits	9	10
<b>Total remuneration and fees Board of Directors</b>	<b>209</b>	<b>216</b>
<b>Group Management</b>		
Short-term employee benefits	771	742
Post-employment employee benefits	135	118
<b>Total Group Management</b>	<b>906</b>	<b>859</b>
<b>Operating management</b>		
Short-term employee benefits	685	702
Post-employment employee benefits	84	77
<b>Total operating management</b>	<b>768</b>	<b>779</b>
<b>Total compensation to key management personnel</b>	<b>1 883</b>	<b>1 854</b>

There was no compensation paid related to long-term benefits, termination benefits or share-based payments.

## 26. Provisions

in thousand EUR	Legal claims	Employee benefits	Others	2020 Total	2019 Total
Non-current provisions	212	3 090	430	3 732	4 426
<b>Total provisions</b>	<b>212</b>	<b>3 090</b>	<b>430</b>	<b>3 732</b>	<b>4 426</b>
At 1 January	400	3 290	736	4 426	4 679
Additions	13	108	9	130	657
Unused amounts reversed	-77	-313	-162	-552	-291
Used during the year	-38	-	-	-38	-675
Currency effects	-86	5	-153	-234	56
<b>At 31 December</b>	<b>212</b>	<b>3 090</b>	<b>430</b>	<b>3 732</b>	<b>4 426</b>

### Legal claims

The amount of EUR 0.2 million represents a provision for certain legal claims brought against the Group by different stakeholders. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant losses beyond the amounts provided for as on 31 December 2020 (2019: EUR 0.4 million).

### Employee benefits and others

The total amount of EUR 3.5 million for other current and non-current provisions includes provisions of EUR 1.1 million for contributions to employee contribution plans (2019: EUR 1.3 million) and for provisions of EUR 2.0 million (2019: EUR 1.9 million) for contributions to employee benefit plans (see Note 29) as well as jubilee provisions of EUR 0.1 million (2019: EUR 0.1 million). Further there are amounts for tax fees of EUR 0.1 million (2019: EUR 0.4 million) and for other provisions of EUR 0.2 million (2019: EUR 0.4 million) included.

## Accounting policies

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group

expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

## 27. Contingencies

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material payouts other than those for which a provision has been made will arise from contingent liabilities (see Note 10).

### Assessment by Brazilian authorities

In 2002, a Brazilian subsidiary was assessed by IBAMA, the Brazilian Institute of Environment and Renewable Natural Resources, in relation to certain log-transporting procedures, which had been in place and approved informally by government agencies for many years. In July 2010, an important administrative case was won against IBAMA. The fines

imposed on the Group, which are not yet settled, amount to approximately EUR 3.8 million. The Group's Management and its attorneys believe that the remaining fines are arbitrary in nature, unjustified, and will also be eventually cancelled, and therefore consider that no material payouts will occur as a result of the final decision on this process; consequently, no accrual was recorded in the Group's consolidated financial statements as of 31 December 2020 (31 December 2019: 0). In 2011, the subsidiary was notified by the Federal Justice to offer assets to pledge or to prepay the penalty. The subsidiary offered 61 907 hectares to pledge. The counterparty has not accepted the pledge and has instead blocked an amount of EUR 0.1 million in cash on Group accounts.

## 28. Income taxes

### Major components of tax expenses/(income)

in thousand EUR	2020	2019
Current tax expenses/(income)	699	357
Deferred tax expenses/(income) relating to temporary differences	412	3 281
<b>Total income taxes</b>	<b>1 111</b>	<b>3 638</b>

### Reconciliation of tax expenses/(income)

in thousand EUR	2020	2019
<b>Earnings before tax</b>	<b>-1 070</b>	<b>11 611</b>
Expected tax expenses/(income) based on a weighted average	-147	3 203
Derecognition of previously recognized deferred tax assets	759	1 539
Recognition of previously not recognized deferred tax assets	—	-2 633
Minimum tax in Gabon	434	405
Change in permanent differences	7	292
Non-deductible expenses	58	566
Other	—	266
<b>Total income taxes</b>	<b>1 111</b>	<b>3 638</b>

The weighted average applicable tax rate, considering all profit- and loss-making entities, was 28% (2019: 28%).

## Deferred income tax

in thousand EUR	2020	2019
Total deferred tax assets	9 950	8 448
Total deferred tax liabilities	–16 164	–21 376
<b>Net deferred tax assets/(liabilities)</b>	<b>–6 214</b>	<b>–12 928</b>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset them and when the deferred income taxes relate to the same tax authority.

### Deferred income tax assets

in thousand EUR	2020	2019
Inventories	27	33
Tax loss carry-forwards	1 747	2 371
Provisions	113	180
Financial liabilities	7 348	5 062
Other	715	802
<b>Total deferred tax assets</b>	<b>9 950</b>	<b>8 448</b>

### Deferred income tax liabilities

in thousand EUR	2020	2019
Property, plant and equipment	–12 481	–16 617
Biological assets	–3 455	–4 474
Intangible assets	–228	–285
<b>Total deferred tax liabilities</b>	<b>–16 164</b>	<b>–21 376</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>–6 214</b>	<b>–12 928</b>
<b>Reported in the balance sheet as follows:</b>		
Deferred tax assets	–	–
Deferred tax liabilities	–6 214	–12 928
<b>Net deferred tax assets/(liabilities)</b>	<b>–6 214</b>	<b>–12 928</b>

Net movement of the deferred income tax account is as follows:

in thousand EUR	2020	2019
At 1 January	–12 928	49
Income statement charge	–412	–3 281
Tax charged to other comprehensive income	3 996	–9 966
Currency effects	3 130	270
<b>At 31 December</b>	<b>–6 214</b>	<b>–12 928</b>

The Group did not recognize deferred income tax assets on deductible temporary differences of EUR 4.6 million (2019: EUR 5.1 million) and on unused tax losses of EUR 43.5 million (2019: EUR 65.7 million).



These unrecognized tax loss carry-forwards expire as presented in the table below:

in thousand EUR	2020	2019
0–2 years	36 668	17 674
3–4 years	954	28 851
5–7 years	2 681	366
over 7 years	3 237	18 764
<b>Total tax loss carry-forwards</b>	<b>43 540</b>	<b>65 655</b>

EUR 9.0 million of these tax loss carry-forwards belong to the Dutch operations of Precious Woods with an applicable tax rate of 19% (2019: EUR 10.1 million with an applicable tax rate of 19%), EUR 3.2 million belong to the Brazilian operations with an applicable tax rate of 34% (2019: EUR 6.8 million with an applicable tax rate of 34%), and EUR 31.3 million belong to the Swiss operation with an applicable tax rate of 11.91% (2019: EUR 36.8 million with an applicable tax rate of 11.91%). From the Gabonese operations no tax loss carry-forwards remain from 2020 (2019: EUR 11.9 million with an applicable tax rate of 30%).

#### Accounting policies

The charge for current income tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates for the countries where the Group has operations. Deferred income taxes are

accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements, and the corresponding tax basis used in the computation of taxable profit. Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction, which, at the time of the transaction, affects neither the taxable profit nor the accounting profit.

## 29. Employee benefits

The employee benefit plans of the Group are based on legal requirements in the respective countries. Beyond these regulatory requirements, the Group provides meals, housing, education and access to medical care according to the local operating group's policy.

The Group's contribution to defined contribution plans amounted to EUR 0.2 million in 2020 (2019: EUR 0.7 million). Precious Woods Tropical Gabon Industrie S.A. has transferred all employees to Compagnie des Placages de la Lowé S.A. and its defined contribution plans with them.

The pension plan for employees in Switzerland is a defined benefit plan and covers the risks of age, death and disability. Financing occurs by means of employer and employee contributions, defined in the pension fund rules in terms of

an age-related sliding scale of percentages of salary, as well as returns from the investments made by the pension fund. The pension fund guarantees the vested benefit amount as confirmed annually to members, as regulated by Swiss law. Interests may be added to member balances at the discretion of the Board of Trustees. At retirement date, members have the right to take their retirement benefit as a lump sum or as an annuity. No curtailment or settlement has occurred during the year. As of the beginning of 2020, the pension solution of Precious Woods Holding Ltd. was transferred from the Bâloise Collective Foundation for Occupational Benefits to the AXA Occupational Benefits Foundation. The conversion rates for the new foundation are higher than before. This resulted in past service costs from plan change of EUR 144 174 and is recognized in P&L. No curtailment or settlement has occurred during the year.

## Changes in the present value of the defined benefit obligation

in thousand EUR	2020	2019
Defined benefit obligation at 1 January	4 593	3 801
Current service costs	376	307
Interest costs	12	35
Contribution by plan participants	86	97
Actuarial losses/(gains)	33	196
Benefits paid/transferred	239	–2
Past service costs	144	–
Currency effects	3	159
<b>31 December</b>	<b>5 486</b>	<b>4 593</b>
Plans wholly or partly funded	5 486	4 593
Plans wholly unfunded	–	–

## Movement in the fair value of the plan assets

in thousand EUR	2020	2019
Opening fair value of plan assets	2 717	2 380
Interest income	7	23
Return on plan assets excluding interest income	340	–54
Contributions by the employers	200	177
Contributions by plan participants	86	97
Benefits paid/transferred	239	–2
Currency effects	–2	96
<b>31 December</b>	<b>3 587</b>	<b>2 717</b>

in thousand EUR	2020	2019
Present value of obligations	5 486	4 593
Fair value of plan assets	3 587	2 717
<b>Net liability</b>	<b>1 899</b>	<b>1 876</b>

## Changes in net liability

in thousand EUR	2020	2019
Opening net liability	1 876	1 421
Pension cost recognized in profit or loss	524	319
Pension cost recognized in other comprehensive income	–306	250
Employer contributions	–200	–177
Currency effects	5	63
<b>Recognized in balance sheet</b>	<b>1 899</b>	<b>1 876</b>

Amounts recognized in profit or loss in respect of the defined benefit plan are as follows:

in thousand EUR	2020	2019
Current service costs	376	307
Net interest costs	4	12
Past service costs	144	–
<b>Recognized in profit or loss</b>	<b>524</b>	<b>319</b>

Amounts recognized in other comprehensive income in respect of the defined benefit plan are as follows:

in thousand EUR	2020	2019
Return of plan assets excluding interest income	340	-54
Changes in assumptions	-165	-336
Experience adjustments	131	140
<b>Recognized in other comprehensive income</b>	<b>306</b>	<b>-250</b>

#### Principal actuarial assumptions used

	2020	2019
Expected employer contributions	212 063	178 861
Discount rates	0.15%	0.25%
Expected salary increases	1.00%	1.00%
Expected long-term increase of pensions	0.00%	0.00%

#### Sensitivity to changes in the principal assumptions

in thousand EUR	DBO	Effect
Actuarial assumption 31 December 2020	5 486	
Discount rate +0.25%	5 258	-4.2%
Discount rate -0.25%	5 730	4.4%
Salary increase rate +0.25%	5 510	0.4%
Salary increase rate -0.25%	5 463	-0.4%

in thousand EUR	DBO	Effect
Actuarial assumption 31 December 2019	4 593	
Discount rate +0.5%	4 179	-9.00%
Discount rate -0.5%	5 070	10.40%
Salary increase rate +0.5%	4 638	1.00%
Salary increase rate -0.5%	4 550	-0.90%

#### Accounting policies

The Group has both defined benefit plans and defined contribution plans.

The obligation and costs of pension benefits are determined using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past service costs, which comprise plan amendments and curtailments, as well as gains or losses on the settlement of pension benefits are recognized immediately when they occur.

Remeasurements, which comprise actuarial gains and losses on the pension obligation, the return on plan assets and changes in the effect of the asset ceiling excluding amounts included in net interest, are recognized directly in other comprehensive income and are not reclassified to profit or loss in subsequent periods. The pension obligation is measured at the present value of estimated future cash flows using a discount rate that is determined by reference to the interest rate on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.



### 30. Currency translation rates

The currency translation rates for the consolidated financial statements were as follows:

in EUR		2020				2019			
		Year-end rate	in % of previous year	Average rate	in % of previous year	Year-end rate	in % of previous year	Average rate	in % of previous year
Swiss franc	1 CHF	0.9238	100.3%	0.9342	103.9%	0.9212	103.8%	0.8988	103.8%
Euro	1 EUR	1.0000	100.0%	1.0000	100.0%	1.0000	100.0%	1.0000	100.0%
Brazilian real	1 BRL	0.1569	70.8%	0.1721	75.9%	0.2216	98.4%	0.2266	97.3%
US Dollar	1 USD	0.8153	91.5%	0.8774	98.2%	0.8915	102.0%	0.8932	105.4%
CFA-Franc BEAC	1 XAF	0.0015	100.0%	0.0015	100.0%	0.0015	100.0%	0.0015	100.0%

### 31. Basis of consolidation

The consolidated financial statements comprise the financial statements of Precious Woods Holding Ltd and its subsidiaries. Control is achieved when Precious Woods Holding Ltd. is exposed, or has rights, to variable returns from its direct or indirect involvement with the investee and has the ability to

affect those returns through its power over the investee. Usually control is achieved through a majority of voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is lost.

The following subsidiaries are included in the consolidated financial statements:

Subsidiary	Country	Ownership	Ownership
		2020	2019
Mil Madeiras Preciosas Ltda.	Brazil	100%	100%
Monte Verde Manejo Florestal Ltda. (Ex Carolina Indústria Ltda.)	Brazil	100%	100%
Precious Woods Manejo Florestal Ltda.	Brazil	100%	100%
Precious Woods – Compagnie Equatoriale des Bois S.A.	Gabon	99%	99%
Precious Woods – Tropical Gabon Industrie S.A.	Gabon	100%	100%
Precious Woods Europe B.V.	Netherlands	100%	100%
Lastour & Co. S.A.	Luxembourg	100%	100%
Unio Holding S.A.	Luxembourg	100%	100%

In November 2019, the structure of the subsidiaries in Brazil was optimized. The two existing sub-holdings with a total of 6 entities were reduced to three entities. On the one hand, Madeiras Preciosas da Amazônia Manejo Ltda. was merged into MIL Madeiras Preciosas Ltda. On the other hand, Carolina Indústria Ltda., Precious Woods do Pará S.A. as well as Monte Verde Madeiras Ltda. were merged and form together the legal entity Monte Verde Manejo Florestal Ltda.

Further information about the associated entities of the Group are disclosed in Note 13.

#### Accounting policies

For purchases of non-controlling interests, the difference between any consideration paid and the relevant share of non-controlling interest acquired is deducted from equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

### **32. Subsequent events**

There were no significant events after the reporting period.

### **33. Approval of financial statements and dividends**

The financial statements were approved by the Board of Directors on 3<sup>rd</sup> May 2021 and authorized for issue, and are subject for approval by the shareholders at the Annual

General Meeting. The Board of Directors proposes not to pay a dividend for 2020 (2019: no dividend paid).

To the General Meeting of  
Precious Woods Holding AG, Zug

Zurich, 3 May 2021

## Statutory auditor's report on the audit of the consolidated financial statements



### Opinion

We have audited the consolidated financial statements of Precious Woods Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows, and appendix to the consolidated financial statements, including a summary of significant accounting policies, for the year ended December 31, 2020.

In our opinion the consolidated financial statements (pages 48 to 86) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



### Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### **Other information in the annual report**

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### **Responsibility of the Board of Directors for the consolidated financial statements**

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://www.expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.





#### **Report on other legal and regulatory requirements**

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Kaspar Streiff  
Licensed audit expert  
(Auditor in charge)

Gianantonio Zanetti  
Licensed audit expert



# Precious Woods Holding Ltd financial statements

92	Balance sheets as of 31 December 2020 and 2019
93	Statements of income 2020 and 2019
94	Notes to the financial statements of Precious Woods Holding Ltd
94	Essential accounting and valuation principles
94	1. General
94	2. Authorized share capital
95	3. Conditional share capital
95	4. Investments in subsidiaries
95	5. Other short-term interest-bearing liabilities
96	6. Long-term interest-bearing liabilities
96	7. Board and Executive compensation
97	8. Depreciation, amortization and impairment
97	9. Major shareholders
97	10. Pledged assets / other securities
97	11. Other note / Full time employment
97	12. Other note / Lease liabilities
97	13. Other note / Significant events after the reporting date
98	Report of the statutory auditor on the financial statements

## Balance sheets as of 31 December 2020 and 2019

in thousand CHF	Notes	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		2 653	2 110
Trade receivables			
against third parties		4 019	3 613
against Group		135	1 514
Other short-term receivables			
against third parties		19	18
against Group	8	2 773	1 335
Inventories		240	262
Prepaid expenses		70	74
<b>Total current assets</b>		<b>9 909</b>	<b>8 926</b>
<b>Non-current assets</b>			
Financial assets to Group		47 626	48 441
Investments	4	57 931	58 994
Property, plant, equipment and lease	12	431	57
Intangible assets		44	47
Long-term financial assets		50	30
<b>Total non-current assets</b>		<b>106 082</b>	<b>107 569</b>
<b>TOTAL assets</b>		<b>115 991</b>	<b>116 495</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade payables			
against third parties		192	377
against Group		2 744	2 674
Short-term interest-bearing liabilities against shareholders	5	2 481	6 400
Short-term lease liabilities	12	94	
Other short-term liabilities		453	943
Accrued expenses and short term provisions		4 722	3 445
<b>Total short-term liabilities</b>		<b>10 687</b>	<b>13 839</b>
<b>Non-current liabilities</b>			
Long-term interest-bearing liabilities against shareholders	6	30 668	25 726
Long-term lease liabilities	12	316	26
Long-term provisions		90	74
<b>Total long-term liabilities</b>		<b>31 074</b>	<b>25 826</b>
<b>Shareholders' equity</b>			
Share capital	1, 2, 3	7 053	7 053
Legal capital reserves			
Capital contribution reserves		88 924	88 924
Legal retained earnings			
General legal retained earnings		4 534	4 534
Voluntary retained earnings			
Accumulated losses		-23 681	-26 980
Net (loss) / income for the year		-2 600	3 300
<b>Total shareholders' equity</b>		<b>74 230</b>	<b>76 830</b>
<b>TOTAL liabilities &amp; equity</b>		<b>115 991</b>	<b>116 495</b>



# Statements of income 2020 and 2019

in thousand CHF	Notes	2020	2019
<b>Sales</b>			
Net sales timber products		42 859	45 623
Net sales CO <sub>2</sub> certificates		69	82
Changes in inventories of finished goods		46	-49
Changes in inventories of CO <sub>2</sub> certificates		7	-103
General costs of production		-39 508	-41 702
<b>Total operating income</b>		<b>3 473</b>	<b>3 851</b>
Personnel expenses	7	-2 989	-2 877
Administrative expenses		-1 357	-1 386
Audit fees		-174	-165
<b>Earnings before interest, tax, depreciation and amortization (EBITDA)</b>		<b>-1 047</b>	<b>-577</b>
Depreciation, amortization and impairment	8, 12	-741	5 604
<b>Earnings before interest &amp; tax (EBIT)</b>		<b>-1 788</b>	<b>5 027</b>
Financial income		1 807	1 678
Financial expenses		-2 045	-1 971
Foreign exchange differences		-562	-1 424
<b>Earnings before tax (EBT)</b>		<b>-2 588</b>	<b>3 310</b>
Taxes		-12	-10
<b>Net (loss) / income for the year</b>		<b>-2 600</b>	<b>3 300</b>

# Notes to the financial statements of Precious Woods Holding Ltd

## Essential accounting and valuation principles

### a. Principles

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32<sup>nd</sup> title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

### b. Inventories

Inventories and non-invoiced services are recorded at acquisition: If the net realizable value at the balance sheet date is lower than acquisition costs, net realizable values are used. Acquisition costs are calculated using the weighted average cost method.

### c. Financial assets and investments

Financial assets and investments are valued at their acquisition cost adjusted for impairment losses.

### d. Interest-bearing financial liabilities

Interest-bearing financial liabilities are recognized in the balance sheet at its nominal value.

### e. Leasing

Leasing and rental agreements are recorded according to the right-of-use. For this reason, the right-of-use corresponds to the present value of the lease liability at the inception of the contract. The term of the lease agreement is determined by the fixed contract term and any extension options. The lease liability corresponds to the present value of future lease payments, which bear interest at an implicit rate and are reduced by the amortization payments.

### f. Revenue from sale of goods and services

Net sales are determined by deducting transportation costs, value added taxes, discounts and returns from gross sales. Revenue trading activities are recognized when the entity has transferred the significant risks and rewards of ownership of the goods to the buyer, when the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, when the amount of revenue can be measured reliably, and when it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## 1. General

The company is the holding company of the Precious Woods Group.

The Precious Woods Group is active in the field of sustainable forest management in South America and Africa following the guidelines for sustainable forest management laid out by the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC). The PW Group is also active in the trading of timber products as well as the sale of CO<sub>2</sub> emission rights.

The company was founded on 17 December 1990 as Precious Wood Ltd, duly registered in Tortola, British Virgin Islands.

On 23 March 1992 the company was renamed Precious Woods Ltd.

On 25 June 2001, the Board of Directors and the Annual General Meeting of the company resolved to change the corporate domicile from Tortola, British Virgin Islands, to Zug, Switzerland, and to continue the incorporation of the company under Swiss law. The company was registered in its present form on 11 October 2001 in the commercial register of the canton of Zug, Switzerland.

The share capital as of 31 December 2020 was composed of 7 052 745 (2019: 7 052 745) fully paid-in registered shares, each with a nominal value of CHF 1.00.

## 2. Authorized share capital

On 16 May 2019, the Annual General Meeting approved an authorized share capital of CHF 1 000 000 (1 000 000 shares with a nominal value of CHF 1.00 each). The Board of Directors is thus authorized to increase the share capital at any time until 15 May 2021 by a maximum amount of CHF 1 000 000 by way of issuance of no more than 1 000 000 registered shares that are to be fully paid in with a nominal

value of CHF 1.00 each. In 2020, no capital increase was carried out from authorized share capital. On 31 December 2020, the amount of the authorized capital is thus CHF 1 000 000 in shares (1 000 000 shares with a nominal value of CHF 1.00 each).

The remaining authorized share capital expires on 15 May 2021.

### 3. Conditional share capital

As of 31 December 2020, the company had the following conditional share capital:

a. Since 18 May 2017, the conditional capital thus amounted to CHF 1 500 000 (1 500 000 shares with a nominal value of CHF 1.00 each) according to Article 3a of the Articles of Association, whereas a conversion right amounting to CHF 150 000 has been exercised in 2017. As of 31 December 2020, the conditional share capital amounted to CHF 1 350 000 (1 350 000 shares with a nominal value of CHF 1.00 each).

b. Additionally, according to Article 3b of the Articles of Association, the share capital of the company may be increased by the maximum amount of CHF 46 638 by the issuance of no more than 46 638 (2019: 46 638) registered shares that are to be fully paid in and have a nominal value of CHF 1.00 each; this increase being the result of the exercise of option rights that can be granted to employees of the company or of affiliated companies. As of 31 December 2020, the conditional share capital thus amounted to CHF 46 638 (46 638 shares with a nominal value per CHF 1.00 each).

### 4. Investments in subsidiaries

The company holds the following direct and indirect investments:

Company	Currency	31 December 2020		Currency	31 December 2019	
		Nominal share capital	Voting rights and Participation		Nominal share capital	Voting rights and Participation
<b>MIL Madeiras Preciosas Ltda.</b> <sup>2</sup> Brazil (land and forest operations, 40% owner of BK Energia Itacoatiara Ltda.)	BRL	168 143 929	100.00%	BRL	72 474 251	100.00%
<b>Monte Verde Manejo Florestal Ltda.</b> <sup>1</sup> Brazil (land owner, former subsidiary of Precious Woods do Para)	BRL	37 585 742	100.00%	BRL	36 121 294	100.00%
<b>Precious Woods Manejo Florestal Ltda.</b> Brazil (dormant company)	BRL	24 429 917	100.00%	BRL	24 429 917	100.00%
<b>Precious Woods Europe B.V.</b> Netherlands (timber trade)	EUR	18 000	100.00%	EUR	18 000	100.00%
<b>Unio S.A.</b> Luxembourg (sub-holding for Precious Woods Tropical Gabon Industrie S.A. (TGI)) <sup>*</sup>	EUR	1 000 000	100.00%	EUR	1 000 000	100.00%
<b>Lastour &amp; Co. S.A.</b> Luxembourg (sub-holding for Precious Woods Compagnie Equatoriale des Bois S.A. (CEB))	EUR	372 575	100.00%	EUR	372 575	100.00%
<b>Precious Woods Management Ltd.</b> British Virgin Islands (dormant company)	USD	20 000	100.00%	USD	20 000	100.00%

<sup>1</sup> Capital increase from capital reserves, contributed by Carolina Industria Ltda. (CIL)

<sup>2</sup> Capital increase from a loan, contributed by Madeiras Preciosas de Amazonia Manejo Ltda. (PWAM)

For further information on investments, we refer to note 31 to the consolidated group financial statements. \* Precious Woods Tropical Gabon Industrie S.A. (TGI) holds a 49% stake of the

company Compagnie de Placages de la Lowé S.A. (CPL). For further information on investments associates, we refer to note 13 to the consolidated group financial statements.

### 5. Other short-term interest-bearing liabilities

As of 31 December 2020, the short-term liabilities consist of two loans from shareholders in the amount of CHF 1.4 million. The loans have an interest of 6%. The loans are due in April 2021 and December 2021. The position further includes

a loan payable to shareholders in the amount of EUR 1.0 million. The loan has an interest of 4.5% and matures in December 2021. Furthermore, reclassifications were made between long-term and short-term liabilities due to the term of loan.

## 6. Long-term interest-bearing liabilities

As of 31 December 2020, the long-term liabilities consist of two loans in the amount of CHF 26.0 million and two loans in the amount of EUR 1.0 million each from shareholders. The loans bear interest at 6% and 4.0% and mature in March 2022, April 2022, December 2022 and December 2024. Further, the

long-term liabilities include two loans from shareholders in the amount of CHF 1.25 million each expiring in October 2022 and bearing interest at 1.5%. Furthermore, reclassifications were made between long-term and short-term liabilities due to the term of loan.

## 7. Board and Executive compensation

As of the balance sheet date, there are no loans and credits between the Company and the Board of Directors. The compensation and the number of shares held by the Board of Directors are composed as follows:

in thousand CHF	Fix in cash	Fix in shares	Other compensation	Total	Ownership of shares
<b>For the year 2020</b>					
Katharina Lehmann	90	—	—	<b>90</b>	95 053
Markus Brüttsch	30	—	—	<b>30</b>	176 348
Jürgen Blaser	30	—	—	<b>30</b>	3 500
Robert Hunink	30	—	5	<b>35</b>	17 500
<b>Total</b>	<b>180</b>	<b>—</b>	<b>5</b>	<b>185</b>	<b>292 401</b>

in thousand CHF	Fix in cash	Fix in shares	Other compensation	Total	Ownership of shares
<b>For the year 2019</b>					
Katharina Lehmann	90	—	—	<b>90</b>	95 053
Markus Brüttsch	30	—	—	<b>30</b>	176 308
Jürgen Blaser	30	—	—	<b>30</b>	3 500
Robert Hunink	30	—	18	<b>48</b>	17 500
<b>Total</b>	<b>180</b>	<b>—</b>	<b>18</b>	<b>198</b>	<b>292 361</b>

As of the balance sheet date, there are no loans and credits between the Company and the Group Management. The compensation and the number of shares held by the Group Management are composed as follows:

in thousand CHF	Salary Fix in cash	Salary <sup>1</sup> Variable in cash	Employer <sup>2</sup> social contributions	Total	Ownership of shares
<b>For the year 2020</b>					
Markus Brüttsch, CEO / CFO	375	125	89	<b>589</b>	176 348
<b>Group Management Total</b>	<b>700</b>	<b>125</b>	<b>145</b>	<b>970</b>	<b>183 848</b>

in thousand CHF	Salary Fix in cash	Salary <sup>1</sup> Variable in cash	Employer <sup>2</sup> social contributions	Total	Ownership of shares
<b>For the year 2019</b>					
Markus Brüttsch, CEO / CFO	375	125	80	<b>580</b>	176 308
<b>Group Management Total</b>	<b>700</b>	<b>125</b>	<b>131</b>	<b>956</b>	<b>183 808</b>

<sup>1</sup> During 2020 and 2019 no share-based compensation was made to the Group Management.

<sup>2</sup> These amounts comprise payments to pension plans (mandatory and non-mandatory), ESPPs and other social contributions.

No compensation was made to former members of the Board of Directors or Group Management. Furthermore, no payments at more favorable conditions were made to active

or former members of the Board of Directors or Group Management.



## 8. Depreciation, amortization and impairment

As of 31 December 2020, in addition to the regular depreciation on property, plant and equipment, this position includes an allowance for other short-term receivables against group

companies amounting to CHF 0.7 million (2019: CHF 5.0 million, reversal of impairment).

## 9. Major shareholders

For the overview of major shareholders as of 31 December 2020 and 2019 we refer to the note 23 to the consolidated group financial statements.

## 10. Pledged assets / other securities

As of 31 December 2020 and 2019, Precious Woods Holding Ltd had no pledged assets, but the liabilities include CHF 26.0 million (see notes 6) land securities in Brazil.

## 11. Other note / Full time employment

The full-time employment of Holding employees for the year 2020 amounts to 13.1 FTE (2019: 13.1 FTE). We refer to the

social key figures in the sustainability report for further information.

## 12. Other note / Lease liabilities

The leasing liabilities are recorded in the balance sheet on the basis of the economic approach, which includes all leasing contracts with the exception of short-term contracts (up to

12 months term) and low-value assets. The right-of-use is capitalized in the balance sheet and the leased assets are depreciated over the term of the lease.

in CHF	Asset class	Useful life	2020	2019
<b>Position of balance</b>				
Property, plant, equipment and lease (rights-of-use assets)				
	Vehicles	3 years	15 842	25 918
	Office spaces	5 years	391 597	–
	IT equipment	5 years	6 721	9 093
<b>Total rights-of-use assets</b>			<b>414 160</b>	35 011
Leasing liabilities			<b>409 910</b>	25 895
<b>Position of income statement</b>			<b>1.1.-31.12.2020</b>	<b>1.1.-31.12.2019</b>
Depreciation (rights-of-use assets)			–55 777	–6 585
Interest expenses lease liabilities			–2 859	–541

## 13. Other note / Significant events after the reporting date

For additional information on significant events after reporting date, we refer to the note 32 of the consolidated group financial statements.

To the General Meeting of  
Precious Woods Holding AG, Zug

Zurich, 3 May 2021

## Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Precious Woods Holding AG, which comprise the balance sheet, income statement and notes (pages 92 to 97), for the year ended 31 December 2020.



### Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.



### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### Opinion

In our opinion, the financial statements for the year ended 31 December 2020 comply with Swiss law and the company's articles of incorporation.



### **Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Kaspar Streiff  
Licensed audit expert  
(Auditor in charge)

Gianantonio Zanetti  
Licensed audit expert

# Contact addresses

## Precious Woods in Europe

### Precious Woods Holding Ltd

Company headquarters:  
Untermüli 6  
CH-6300 Zug  
Switzerland  
Phone +41 41 726 13 13  
Fax +41 41 726 13 19  
[www.preciouswoods.com](http://www.preciouswoods.com)  
[office@preciouswoods.com](mailto:office@preciouswoods.com)

## Precious Woods in Brazil

### MIL Madeiras Preciosas Ltda.

(Precious Woods Amazon)  
Rodovia AM 363, KM 1.5, Zona Rural  
Zip Code – 69109-899  
Itacoatiara – Amazonas  
Brazil  
Phone +55 92 99136-5045/5066  
Fax +55 92 98533-1664/1682  
[contato@milmadeiraspreciosas.com.br](mailto:contato@milmadeiraspreciosas.com.br)

### BK Energia Itacoatiara Ltda.

(Precious Woods Energy)  
Rodovia AM 363, Km 1, Área Rural  
Zip Code – 69109-899  
Itacoatiara – Amazonas  
Brazil  
Phone +55 92 99136-5045/5066  
Fax +55 92 98533-1664/1682

## Precious Woods in Central Africa

### Precious Woods Gabon CEB

(Precious Woods Gabon)  
P.O. Box 2262 – Libreville  
Rue Kringier Rendjombé  
Quartier Batterie IV  
GA-Libreville  
Gabon  
Phone +241 011 73 45 79  
Fax +241 011 73 87 80  
[ceb@preciouswoods.com](mailto:ceb@preciouswoods.com)

### Precious Woods Gabon TGI

(Precious Woods Gabon)  
P.O. Box 993 – Libreville  
Quartier Akournam II  
GA-Owendo  
Gabon  
Phone +241 011 70 06 86  
Fax +241 011 70 56 51  
[tgi@preciouswoods.com](mailto:tgi@preciouswoods.com)



**© 2021**

Precious Woods Holding Ltd

**Editorship**

Jacqueline Martinoli

Precious Woods Holding Ltd

**Design**

Precious Woods Holding Ltd

**Photography**

Precious Woods Holding Ltd

Metamorphoto, Michael Bosshard

Jean-Louis Doucet

Christian Küchli

Nicolas Zürcher

Jeanicolau Simone de Lacerda

**Image processing**

Triner AG, Media + Print

**Production**

Management Digital Data AG

Precious Woods Holding Ltd

**Print**

Triner AG, Media + Print

Cautionary note on forward-looking statements: This Annual Report contains forward-looking statements that reflect Precious Woods' current views with respect to future events. These forward-looking statements are based on assumptions and involve risks and uncertainties with regard to future global economic conditions, foreign exchange rates, regulatory rules, market conditions, environmental factors, the actions of competitors and other factors. These risks and uncertainties could cause actual results to differ materially from those contained in the forward-looking statements. Precious Woods does not assume any obligation to update information or forward-looking statements set forth in this document.

The Precious Woods Annual Report is available in both German and English. The printed English text is the binding version.



Precious Woods Holding Ltd  
Untermüli 6  
6300 Zug  
Switzerland



PRECIOUS WOODS